BUILDING A 21ST-CENTURY INFRASTRUCTURE FOR AMERICA: LONG-TERM FUNDING FOR HIGHWAYS AND TRANSIT PROGRAMS

(115–38)

HEARING

BEFORE THE

SUBCOMMITTEE ON
HIGHWAYS AND TRANSIT

OF THE

COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

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Washington DC 20515

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March 2, 2018

SUMMARY OF SUBJECT MATTER

TO:	Members, Subcommittee on Highways and Transit
FROM:	Staff, Subcommittee on Highways and Transit
RE:	Subcommittee Hearing on "Building a 21st Century Infrastructure for America: Long-Term Funding for Highways and Transit Programs"

PURPOSE

The Subcommittee on Highways and Transit will meet on Wednesday, March 7, 2018, at 10:00 a.m. in 2167 Rayburn House Office Building to receive testimony related to "Building a 21st Century Infrastructure for America: Long-Term Funding for Highways and Transit Programs". The purpose of this hearing is to receive the views of highways and transit stakeholders regarding the benefits to the Nation of long-term funding for highways and transit programs, as well as the sustainability of current methods of providing funding. The Subcommittee will hear from representatives of the American Association of State Highway and Transportation Officials, the Western Road Usage Charge Consortium, the American Trucking Associations, the U.S. Chamber of Commerce, and the Economic Policy Institute.

BACKGROUND

The Importance of Transportation Infrastructure

Transportation infrastructure provides a strong physical platform that facilitates economic growth, ensures global competitiveness, creates American jobs, and supports national security. It affords Americans a good quality of life by enabling them travel to and from work, to conduct business, and to visit family and friends.

Our Nation's transportation infrastructure is the backbone of the U.S. economy. In 2015, all modes of transportation moved an estimated 18.1 billion tons of goods worth about $19.2 trillion (in 2012 dollars) on our Nation's transportation network. On a daily basis, 49 million tons of goods valued at more than $53 billion are shipped throughout the country on all transportation modes.[1] In addition, nearly 13 million Americans, approximately nine percent of the U.S. workforce, are directly employed by transportation related industries.[2]

The surface transportation components of this broader system play an integral part in the movement of people and goods. Specifically, highways carried more than 3 trillion vehicle miles (including cars, trucks, motorcycles, and buses) and public transportation carried over 32.6 billion passenger miles in 2014.[3] Of the total freight moved on our Nation's transportation network, trucks moved more than 11.5 billion tons, valued at over $13.2 trillion.[4]

Congestion is a growing challenge across the United States, affecting both freight shippers and commuters. According to the Texas A&M Transportation Institute's 2015 Urban Mobility Report, the national cost of congestion was $160 billion. This amounts to approximately $438 million per day. Congestion also wasted 3.1 billion gallons of gasoline and resulted in an extra 6.9 billion hours of travel time. In 2014, the average commuter spent an extra 42 hours stuck in traffic.[5]

Future Needs for Transportation Infrastructure

Over the next 30 years, our Nation's transportation infrastructure will need to keep pace with anticipated increases in population and demand for freight transportation. Forecasts predict that America's population will grow from 319 million in 2014 to approximately 400 million in 2051.[6] The movement of freight is expected to increase by 40 percent over the next 30 years.[7] U.S. trade volume is expected to double by the year 2021, and double again by the year 2030.[8] In terms of highway usage, vehicle miles traveled are projected to increase by nearly 20 percent by 2035.[9]

Highway Trust Fund

The Highway Trust Fund (HTF) was established by the *Federal Aid Highway Act of 1956* (P.L. 84-627). The HTF was created as a user-supported fund: highway users would pay a 3 cents per gallon excise tax on motor fuels, the tax receipts would be deposited in the HTF, and HTF balances would be dedicated to the construction of federal-aid highways. Subsequent acts of Congress increased the excise taxes on motor fuels, imposed taxes on other users, and expanded the number of activities eligible for funding under the HTF. The motor fuel excise

[1] U.S. Department of Transportation, Bureau of Transportation Statistics, DOT releases 30-Year Freight Projections, March 3, 2016.
[2] U.S. Department of Transportation, Bureau of Transportation Statistics, Transportation Statistics Annual Report 2016.
[3] U.S. Department of Transportation, Bureau of Transportation Statistics, *2017 Pocket Guide to Transportation;* Bureau of Transportation Statistics, *Table 2-1.*
[4] *Id.*
[5] Texas A&M Transportation Institute, *2015 Urban Mobility Scorecard*, August 2015.
[6] U.S. Census Bureau, *Projections of the Size and Composition of the U.S. Population: 2014 to 2060*, 2015.
[7] U.S. Department of Transportation, Bureau of Transportation Statistics, *DOT Releases 30-Year Freight Projections*, 2016.
[8] Federal Highway Administration, *FHWA Forecasts of Vehicle Miles Traveled (VMT): Spring 2016*, 2016.
[9] *Id.*

taxes were last adjusted 25 years ago as part of the *Omnibus Budget Reconciliation Act of 1993* (OBRA 1993, P.L. 103-66).

Current Highway Trust Fund User Fees

Tax Type	Tax Rate
Federal Motor Fuel Taxes	
Gasoline and gasohol	18.4 cents per gallon*
Diesel	24.4 cents per gallon*
Special Fuels:	
General rate	18.4 cents per gallon
Liquefied petroleum gas	18.3 cents per gasoline-equivalent gallon
Liquefied natural gas	24.3 cents per gallon diesel-equivalent gallon
M85 from natural gas	9.25 cents per gallon
Compressed natural gas	18.3 cents per gasoline-equivalent gallon
Other Federal Taxes on Truck Users	
Tires: (maximum rated load capacity)	
0-3,500 pounds	No Tax
Over 3,500 pounds	9.45 cents per each 10 pounds in excess of 3,500
Truck and Trailer Sales	12 percent of retailer's sales price for tractors and trucks over 33,000 pounds gross vehicle weight (GVW) and trailers over 26,000 pounds GVW
Heavy Vehicle Use	Annual tax: Trucks 55,000 pounds and over GVW, $100 plus $22 for each 1,000 pounds (or fraction thereof) in excess of 55,000 pounds (maximum tax of $550)

** $0.1 cent is deposited in the Leaking Underground Storage Tank Trust Fund*

In general, motor fuel excise taxes and other truck taxes generate the majority of the revenue for the HTF. Proceeds from interest and penalties for violations of certain tax and vehicle safety laws are also deposited into the HTF. However, beginning in Fiscal Year (FY) 2008, and in each subsequent fiscal year to date, HTF outlays have exceeded revenues received from these sources. To ensure that the HTF could continue to pay its obligations, Congress has transferred amounts from the General Fund of the Treasury and other sources into the HTF. Since FY 2008, Congress has transferred approximately $140 billion to the HTF.

On January 1, 2018, the HTF had a cash balance of $51.6 billion. The Congressional Budget Office (CBO) uses current balances and estimates of future revenues and outlays to provide Congress with projections on HTF solvency. In June 2017, CBO projected that the HTF will not be able to meet its obligations beyond fiscal year 2020.[10] CBO estimates that the current 10-year shortfall is $138 billion more than expected HTF revenues.[11] An additional $5 billion is necessary to ensure that there is a prudent balance in the HTF,[12] which brings the total shortfall to $143 billion.

[10] Congressional Budget Office, *Spending on Infrastructure and Investment*, 2017.
[11] Congressional Budget Office, *Projections of Highway Trust Fund Accounts – CBO's June 2017 Baseline*, 2017.
[12] A "prudent balance" refers to the amount of funding cushion needed in the HTF to ensure it does not go insolvent and assumes $4 billion for the Highway Account and $1 billion for the Mass Transit Account.

If the shortfall is not addressed, DOT may need to take steps, such as rationing reimbursements to states, to maintain a prudent balance in the HTF. If states are unable to rely on reimbursements, then critical surface transportation projects may be delayed.

Highways and Transit Programs Funded by the Highway Trust Fund

The HTF provides funding for a number of highway, transit, and highway safety programs (surface transportation programs) administered by the Federal Highway Administration, the Federal Transit Administration, the Federal Motor Carrier Safety Administration, and the National Highway Traffic Safety Administration. These agencies administer surface transportation programs in partnership with states, public transit agencies, and other local authorities. While the agencies provide financial and technical assistance, the state and local partners select projects and carry out the programs on a day-to-day basis.

Congress most recently reauthorized surface transportation programs with enactment of the *Fixing America's Surface Transportation Act* (FAST Act, P.L. 114-94). The FAST Act reauthorizes federal surface transportation programs through fiscal year 2020. It authorizes approximately $300 billion in funding for surface transportation programs, improves our Nation's infrastructure, reforms programs, and encourages innovation to make the surface transportation system safer and more efficient. The FAST Act provides state and local partners with the needed certainty to make significant investments in the Nation's surface transportation system.

WITNESS LIST

Mr. John Schroer
Commissioner
Tennessee Department of Transportation
On behalf of the American Association of State Highway and Transportation Officials

Mr. Michael Lewis
Executive Director
Colorado Department of Transportation
On behalf of the Western Road Use Charge Consortium (RUC West)

Mr. Chris Spear
President and CEO
American Trucking Associations

Mr. Ed Mortimer
Executive Director, Transportation and Infrastructure
U.S. Chamber of Commerce

Ms. Thea Lee
President
Economic Policy Institute

BUILDING A 21ST-CENTURY INFRASTRUCTURE FOR AMERICA: LONG-TERM FUNDING FOR HIGHWAYS AND TRANSIT PROGRAMS

WEDNESDAY, MARCH 7, 2018

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HIGHWAYS AND TRANSIT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:01 a.m., in room 2167 Rayburn House Office Building, Hon. Sam Graves (Chairman of the subcommittee) presiding.

Mr. GRAVES OF MISSOURI. The subcommittee will come to order. Without objection, the Chair is authorized to declare a recess at any point. I want to welcome everybody. I especially want to welcome our witnesses today. I know some of you have come from a ways, and we do appreciate it.

The question before us today is how we ensure that we have resources to build and maintain a surface transportation system that will meet the needs of the Nation and remain competitive in the 21st century.

The movement of freight is expected to increase by 40 percent over the next 30 years, while vehicle miles traveled are projected to increase by nearly 20 percent. At the same time, driverless vehicles and other advances in technology are going to change the way freight and passengers move through our transportation network, and our system needs to keep pace with these changes.

Unfortunately, our current method of funding our Federal transportation programs is no longer sustainable. Beginning as early as the spring of 2020, States may have to halt construction of surface transportation projects because, once again, the Highway Trust Fund will not be able to meet its obligations.

There are many reasons for this, and, obviously, the current motor fuel taxes and other user fees bring in less money, fuel economy standards have increased, and not all users pay into the trust fund. But the fact remains the Highway Trust Fund is going broke and we have to act to fix that.

Continuing to rely on bailouts from the General Fund is not the answer. There simply isn't enough money left in the couch cushions. We need to work together to reform the Highway Trust Fund to ensure that users that benefit from the system pay into the system. We need a long-term sustainable solution that gives our State and local partners the certainty they need to plan and build their projects. We need a solution so we can build a modern and efficient transportation system, a system that will move people and goods efficiently, grow American jobs, and ensure that we remain competitive in the global marketplace.

Our witnesses today are going to offer potential solutions and discuss some of the innovative new approaches to funding our surface transportation programs. And, again, I thank you all for being here.

I will now recognize Ranking Member Norton of the subcommittee for her statement.

Ms. NORTON. I want to thank you, Chairman Graves, for this hearing. And I think anyone who has traveled the streets of the Nation's Capital, or the highways leading into the Nation's Capital will also say thank you for today's hearing on how to fund the highway and transit infrastructure of our country so that it is sustainable, so that we don't have to come back in literally a few months because the Highway Trust Fund has run out of funds, as if that were any surprise.

I do believe that anyone who heard Secretary Chao's testimony yesterday will agree that they did not hear any real plan for investments in infrastructure, but I am encouraged by what appears to be the President's openness to higher gas taxes. One thing seems clear, it takes money to fix the highways, and for a quarter of a century we have been under the illusion that that is not really the case.

So I hope that the President's apparent openness to higher gas taxes can inspire the committees of jurisdiction, the Highway Ways and Means Committee and the Senate Finance Committee, to finally, at last, act.

Last year, Chairman Graves and I got 250 Members of Congress, with very robust representation on both sides of the aisle, to sign onto a letter to the leadership of the Ways and Means Committee urging a prominent solution to this Highway Trust Fund crisis.

In this letter, we specifically urged a long-term dedicated user-based revenue stream that can support transportation and infrastructure investments. I mean, I hope those words don't sound like clichés. It is the only way to say them, and we have been saying them now for decades without any results.

We do all agree on two things: The importance of infrastructure investment to our national economy, and the need for real investment to improve our infrastructure. Our disagreements start with, and perhaps end with, how to pay for it.

It seems to me that today's subcommittee hearing shows that we are well past the point of glossing over the problem and, again, saying the taboo words "all options are on the table." What are they? Congress needs to make tough decisions, as always, and find a permanent long-term revenue stream for our highways and bridges.

Many of the so-called options, such as finding cheaper ways to borrow, will not produce real revenue to make a difference in our infrastructure backlog. Other options, such as public-private partnerships—and I commend the committee for the special Panel on Public-Private Partnerships on which I was among those who served, because this panel did a very thorough investigation of P3s.

But I believe that all those who served on that special panel will agree that P3s are, perhaps, best seen as a rather expensive scheme to borrow private money, certainly borrow more money than we borrow by the Federal Government, to do the same thing. Far too many projects simply have no revenue stream attached to them to pay for a P3. And, of course, you have to pay for the profit margin as well. Transit P3s rely on dedicating decades of future tax revenue to pay the investors and slashing labor benefits to protect profits.

Yet another option, tolling. Let's deal with that one and see where the American people stand on tolling. A Rasmussen survey found that just 22 percent of Americans favor putting tolls on interstate highways for infrastructure maintenance. Three times that many, or 65 percent, are opposed to turning the Nation's interstate highways into toll roads.

Pushing tolling on urban areas is just not the answer. That leaves real user fees. In other words, we are back to where we started, back to where the Eisenhower administration started us. And if we think we are smarter, we certainly haven't proved it since then.

The politics of raising the gas tax has paralyzed the Congress for a quarter of a century. And yet, 24 States who are represented by Members of Congress have simply not had the same hesitation, including some deeply conservative States that have raised their gas taxes over the past 4 years.

Today, I am very pleased we will hear that the U.S. Chamber of Commerce, State departments of transportation, and the trucking industry support higher gas taxes. These are the folks who are going to have to pay them, and they are for them. We have heard multiple reports, of course, that the President supports the gas tax. So I think and hope that with this hearing, the reality is beginning to settle in that there is what appears to be an American majority for raising the gas tax.

The FAST Act also funded an alternative funding demonstration program for States to experiment. I thought that was a great leap forward. It was only $20 million, as I recall. Today, we will hear from the Colorado Department of Transportation, on behalf of the Western Road Usage Charge Consortium. They will describe the possible future of a mileage-based user fee and the benefits this system can have on providing a sustainable long-term funding stream. It is really the only new idea.

In the new world of Uber, Lyft, and autonomous vehicles, there are many unknowns, and I am pleased that our subcommittee has had hearings on some of those unknowns. And we don't know how these technologies may affect our infrastructure assets over time. However, in the immediate term, we face a massive infrastructure backlog that continues to mount while Congress does nothing, and that needs to be rectified first. These new technologies do not eliminate that need.

I am grateful, again, to Chairman Graves for holding this hearing and look forward to our continued work together to hold the Ways and Means Committee's feet to the fire to deliver the funding for our Nation's highway and transit systems. We can't afford to wait any longer.

I thank you, and I yield back, Mr. Chairman.

Mr. GRAVES OF MISSOURI. I now turn to the chairman of the full committee, Bill Shuster.

Mr. SHUSTER. Thank you, Chairman Graves. Thanks for holding this hearing today.

Thanks for the panel coming today. I think that the panel may have different ideas on how to get where we need to go, but I think we are all on the same page that we need to go there. So, again, I am looking forward to hearing from all of you.

I will say—look, I have been very excited that we have had a President of the United States in his inaugural address utter the word "infrastructure." I don't think we have had anybody say that since maybe Lincoln. He uttered "internal improvements," and the internal improvements of the 1800s are today the improvements to the infrastructure.

I was pleased he put out a plan. Some of it was, I thought, good. Some of it was not so good. Some of it we need to work on and maybe improve upon it.

I know the ranking member talked about P3s. I do not think they are a silver bullet. I do think that we can enhance them. It is a tool in the toolbox. And when we are talking about infrastructure and improving highways and bridges, I don't think that is necessarily what we are talking about, tolling roads, at least not in my district, in my State, are you going to toll a road. We took an attempt at that in 1981 in the northern tier and that fell flat.

There are things we need to do in the permitting process. The President, I think, is right, reducing that time. I think we have all seen these road projects take an average of about 14 years. That is entirely too long. And I know that MAP–21 and in the FAST Act, we have done some things to push forward reforms on streamlining, but I think we can still do more. And I think that it is important that the focus which we did in the FAST Act needs to—the intended purpose of the Highway Trust Fund was to build the Interstate Highway System. Then over the years, we kept diluting it and diluting it. We need to get back to that and improving that.

I know in my State, I talk about I–81 all the time. And I know that we have the commissioner from Tennessee. It happens to run through Tennessee also. But if you go through the six States, New York, Pennsylvania, Maryland, West Virginia, Virginia, Tennessee, they may not all have the same wherewithal to do things.

Some States, and I will be interested to hear from the commissioner today about, you know, he has got I think nine interstates running through his district. I–81 is important to me; I am not so sure how important it is to Tennessee, and if he is willing to spend State dollars on that highway—but that is what the Federal Government's job is, to say, Look, we are going to put two more lanes on I–81, or we are going to do this highway. It is critical to Pennsylvania. Maryland has 18 miles. Tennessee may say, well, I–81 is not that important to us, so you better give us a push and you better give us some money to help us do this. So, again, I am interested in hearing that and hearing from all of you.

My intent is hopefully working with the Democrats on the committee to put together a big, broad bipartisan infrastructure bill. And as the ranking member pointed out, we can put all we want in there about revenues, but it has to go to the Ways and Means Committee. I think that it takes Presidential leadership to do the things we need to do, and, quite frankly, how do you fund it? I know Ranking Member DeFazio has “A Penny for Progress.” It is a good idea. There are lots of ideas out there.

But the easiest one for us to all understand, not that it is easy to pass or increase, is what we pay at the pump, and we haven’t done it for 25 years; we haven’t increased that. Thirty-one States have done it. There has been no political price to pay for it. In fact, it is pretty popular in the States they have done it in. Indiana, a Republican State, did it; South Carolina, a Republican State, did it. Pennsylvania, when they were controlled by Republicans in both Chambers and the Governor, did. And many—Utah has done it, which is maybe the reddest of the reddest States. And so it has been done, and nobody has paid the political price for it.

I believe we will pay a political price if the trust fund runs out in October of 2020, when it is projected. For those that forget what the political calendar looks like, that is October before the Presidential election. So we are going to pay the price if we don’t address this; and we already are paying it in congestion and, you know, bad roads, failing bridges across this country.

So I for one think it is time to do it. The President has said he would support that. And, again, move forward. The time is now. It takes Presidential leadership to do this, but we need to invest in our infrastructure.

Now, a lot of folks on my side, and I get it, and a lot of folks on the other side may not be too warm and fuzzy on an increase to the user fee right before an election, but there is always a lame duck session.

So I think it is important we put a document out there, we get a debate started in this country, and then the timing of it, we will figure that as we move forward.

But I also want to point out to those on my side in Congress talk about the user fee—and that is what it is, a user fee—that it is regressive. And I come from rural Pennsylvania. It is a regressive fee. Those people in my district will pay more, because they use the roads more. In fact, that is their only alternative. They don’t have any other way to get around. But that regressive tax also has a progressive benefit to those folks in my district. The most rural counties in America, for every dollar they put in, they get $1.70 back. You can’t build roadways from Pittsburgh to Philadelphia unless the population centers subsidize my roadway.

So when we talk about transit doesn’t pay into the trust fund, they don’t. We subsidize SEPTA [Southeastern Pennsylvania Transportation Authority]. We subsidize the Pittsburgh Transit Authority at 30 percent. If you go to my district, a rural district, they are subsidizing those roadways from 50 to 70 percent.

So we need to back off and look at this in a different way. It is what Republicans have done historically. The three great infrastructure Presidents are Lincoln with the Transcontinental Railroad; Teddy Roosevelt, the Panama Canal; and Eisenhower with the Interstate Highway System.

So, again, it is something that there is a Federal responsibility. Even Adam Smith said it; and that is why we put that up there to remind us. When we all want to quote Adam Smith, he said it is erecting and maintaining infrastructure to promote commerce. And then, of course, the Constitution is pretty clear to me, also.

So it is a role of ours. I have gone over 1 minute and 17 seconds, which I never do, but I am so passionate about this that I felt—I am glad that Chairman Graves has indulged me.

So, with that, I am looking forward to hearing from you and I thank you, Mr. Chairman.

Mr. GRAVES OF MISSOURI. I now turn to Ranking Member Peter DeFazio.

Mr. DEFAZIO. Well, thanks, Mr. Chairman.

In February 2017, we convened a hearing in this room to talk about investing in infrastructure. There was consensus we needed to invest. There were a number of ideas out there that were practical. Here we are 13 months later talking about the same thing. You know, it is time to stop talking and do something. I mean, this is getting absolutely absurd.

You know, as the chairman said, 31 States have raised substantial revenue, 24 just with gas taxes, others with a mix like my State of fees and taxes. No one has lost their election. No one, for the gutless wonders I work with, no one has lost their election—in fact, in New Jersey, the only two people who lost were two Republican State senators who voted against the gas tax increase.

Now, I am sure it was a coincidence, but it sure as hell didn't help them. But around here it is like, oh my God, we can't even. I mean, I came out with "A Penny for Progress" to make people think how pathetic they are. I say to them, you are going to lose your election if gas goes up 1½ cents a gallon? It probably went up 2 cents a gallon while you were driving to work today because something happened in the Middle East, or the oil companies needed more profits. One and a half cents a gallon, borrow $500 billion, pay it back, no unfunded debt. Well, we can't do that. Talk to the Speaker. Oh, that is a tax increase. Can't do that, we don't increase taxes.

Well, if you don't increase taxes, we are not having an infrastructure bill and we are doing nothing, and we are just sitting here jawing. That is all we are doing, sitting here jawing and pretending. That is the reality.

You know, P3s have come up. We had a 6-month-long select panel meet on that issue; and at the end, the bipartisan consensus was P3s are a nice tool. And the biggest advocates we had before us from Wall Street and providers, Macquarie Capital and others, admitted they can't address more than 10 to 12 percent of our infrastructure needs, because the only places that pay back are in major urban areas and have high volumes of traffic—ironically, in blue areas. Those are really the only places that are viable for P3s.

So that is not a solution, it is a tool. Some say, Oh, let's do VMT. Tomorrow? No. Next week? No. This year? No. Maybe 10 years from now. Yeah. We are not ready to go to VMT. So anybody that says, "oh, let's just do VMT"—that is what the Speaker has said, "oh, I like VMT"—you can put it off into the distant future. Oh, we will do that someday. Meanwhile, the country falls apart. And we are losing productivity, we are wasting fuel, people are damaging their vehicles, and we just can't get there.

Now, we hear a lot about, oh my God, the magic solution is just to deal with the horrible delays with environmental reviews. All we have to do is get rid of NEPA and, whew, we save more money than it could cost to rebuild the infrastructure. Really? No. In fact, the one report that people rely on by some guy who works at—a hack at a think tank named Common Good quoted reports that actually contradicted his conclusions. They said the biggest problem is funding, it is not the delays.

Yeah, you are right, for 4 percent of the projects that involve Federal money, there's 96 over here, 4 over here—it takes a little more than 3 years, on average, because these are huge projects with major impacts that people have concerns about and it takes a little while to work that stuff through. Maybe we adopt the Chinese model and say, "hey, don't worry about it, I am knocking on your door, the bulldozer is down the street. It is coming; your house is gone; your property is gone; we are building a new highway here." We could adopt that model.

In fact, John Mica offered that in a bill a few years ago until I pointed out that allowing the President the authority to waive all laws would allow that to happen. Then Jerry Nadler chimed in and said, "oh, this is great, because then we could use illegal immigrants, too, and it would be cheaper to do the projects." He was kidding, of course.

So no, that is a myth. Yeah, can we improve it more? Have we improved it more? Yes. Are there improvements pending that DOT has adopted? Yes. Are there some other things we could do to tweak it around the edges for these major projects? Maybe, sure, and I am open to that. But to say this is a magic wand? Ninety-five percent of the projects get categorical exclusions. There is no delay. There is no evaluation. They are eligible. So let's cut the BS. I mean, seriously.

Now, Secretary Chao came yesterday, apparently. I am sorry I couldn't be here. I had a medical appointment and tried to get here. I drove 120 miles to catch a plane, got canceled; drove 120 miles back, took another plane yesterday, couldn't get here. So, anyway, she said she came with no solutions or pay-fors. Well, then that means we are dead in the water if she represents the views of this administration. This is not going to come from Congress.

You know, the President supports a gas tax. I will stand next to the President. I heard in a meeting where he may have said something about a substantial increase in the gas tax. I have never confirmed that he said that, but I also said in that meeting when one Republican Senator said, oh, those Democrats all just attack you, I said, well, if he did that, I would stand next to him. This would be bipartisan. It has been bipartisan in every State. Nobody has lost their election over this.

What is the problem? The problem is the Speaker is ideologically opposed to Federal investment and increasing taxes in any form, no matter how much it benefits the Nation, ideologically opposed. And the rest of his team, that would be McCarthy and Brady, are following him. There hasn't even been a single hearing in Ways and Means on revenues for the Highway Trust Fund or infrastructure. And until we see that, until they hold a hearing and we see some progress, we would just be wasting our time over here to move forward or say we are going to move forward with some legislation that isn't going to be paid for or financed.

Now, we need Presidential leadership, I agree with the chairman there. We need Presidential leadership. And if he would stand up and say he wants a gas tax, Bill would stand on his right, I would stand on his left, or I will stand on his left and Bill can stand on his right, I don't care, and we will be with him.

So that is where we are at. That is the truth of it. You have all got some ideas. I haven't read all the testimony yet. I am sure they are all great ideas, but we have to have real money, plain and simple. Thank you.

Mr. GRAVES OF MISSOURI. I will now turn to Congressman Duncan to introduce our first witness.

Mr. DUNCAN. Well, thank you, Mr. Chairman. And I want to welcome all the witnesses, but I especially want to welcome my good friend, Commissioner John Schroer, who is starting his eighth year as our commissioner of transportation in Tennessee.

And he has done a great job. He came in and made some changes in some projects that have saved the Tennessee taxpayers $610 million in the time he has been in office. The Tennessee DOT has remained operating debt-free and on a pay-as-you-go basis. And then he and our great Republican Governor, Bill Haslam, got through the first gas tax increase in Tennessee in 30 years; the IMPROVE Act, which will fund 962 road and bridge projects across all 95 counties; and also, in addition to the State projects, will provide an additional $105 million annually for cities and counties to support local infrastructure needs.

I might add that my younger sister, I tell people all the time she is much more powerful than I am, because I am one of 435, she is one of 33 State senators. And she supported the gas tax increase, although I do tease her and tell her that I think she is a little more liberal than I am, and she teases back and says that everybody's more liberal than I am. So we go back and forth a little bit.

But, Commissioner Schroer has done an outstanding job, and in recognition of that, has become the national president of the American Association of State Highway and Transportation Officials. And it is an honor for me to welcome him here to the subcommittee, and I thank you, Mr. Chairman, for allowing me to do so.

TESTIMONY OF JOHN C. SCHROER, COMMISSIONER, TENNESSEE DEPARTMENT OF TRANSPORTATION, ON BEHALF OF THE AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS; MICHAEL LEWIS, EXECUTIVE DIRECTOR, COLORADO DEPARTMENT OF TRANSPORTATION, ON BEHALF OF THE WESTERN ROAD USAGE CHARGE CONSORTIUM (RUC WEST); CHRIS SPEAR, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN TRUCKING ASSOCIATIONS; EDWARD L. MORTIMER, EXECUTIVE DIRECTOR, TRANSPORTATION INFRASTRUCTURE, U.S. CHAMBER OF COMMERCE; AND THEA M. LEE, PRESIDENT, ECONOMIC POLICY INSTITUTE

Mr. GRAVES OF MISSOURI. Mr. Schroer.

Mr. SCHROER. Thank you very much. Thank you, Congressman Duncan, for that great introduction.

Chairman Graves, Ranking Member Norton, and members of the subcommittee, thank you for the opportunity to testify here today. My name is John Schroer. I am the commissioner of transportation for the State of Tennessee, and I am also honored to serve as the 2017–2018 president of the American Association of State Highway and Transportation Officials, otherwise known as AASHTO.

I would like to first express appreciation to you on behalf of the State DOTs for your leadership, along with your Senate and House colleagues, in passing the FAST Act in December 2015. The FAST Act continues to fulfill the constitutional directive that investment in transportation is a core Federal responsibility. While the FAST Act does not expire until 2020, President Trump recently laid out his infrastructure plan. The key component to the President's plan is for the Federal Government to invest $200 billion over the next 10 years that would create an additional $1.3 trillion in investment from States, local government, and the private sector.

While leveraging Federal dollars is a great goal, there is only so much that can be done. Currently, 80 percent of the $217 billion invested in highway and bridge programs comes from State and local governments. States are already answering the call to action for increasing transportation investments. As has already been said, 31 States, including my home State of Tennessee, have successfully passed transportation funding bills.

In 2017, I worked with Governor Bill Haslam to develop and pass the IMPROVE Act to provide increased funding for transportation for the first time in Tennessee in 30 years. This conservative, responsible, and user-based approach raises the gas tax by 6 cents, and diesel tax by 10 cents. This was no easy sale to the Tennessee Legislature. Finally, after 2 years of preparation, the only way we were able to get this bill passed was to wrap it around the largest single tax cut bill in the history of the State of Tennessee. The tax cuts were twice the increase of the fuel tax.

AASHTO member States continue to believe that the best way to fund the Nation's crumbling infrastructure is through sustainable formula-based funding. The Highway Trust Fund has provided stable, reliable, and substantial highway transit funding for decades since its inception in 1956. However, today, the solvency of the trust fund is in jeopardy.

Since 2008, the Highway Trust Fund has been sustained through a series of General Fund transfers, now amounting to $140 billion. Annual HTF spending is estimated to exceed receipts by $23 billion by fiscal year 2027. AASHTO estimates that the States may see a 40-percent drop from fiscal year 2020 to the following year. For Tennessee, this would represent a $400 million reduction in our annual budget, wiping out the increase we received from passing the IMPROVE Act, plus an additional $150 million annually. This represents an overall 20-percent reduction in our total budget, and a 45-percent reduction in our heavy building program. A cut of this magnitude will eliminate our ability to make significant inroads in addressing congestion through capacity expansion, and Tennessee would largely become a maintenance-only State.

AASHTO strongly believes that the congressional infrastructure package must focus on direct funding distributed to States and transit agencies through formula programs, rather than through grants or Federal financing support. AASHTO's member DOTs already rely on various forms of financing and procurement, ranging from bonding, TIFIA credit assistance, State infrastructure banks, and public-private partnership, just among some of the tools.

In Tennessee, a State that consistently has its roads ranked in the top five in the Nation, we are a pay-as-you-go State. We have no transportation debt and have no roads that are tolled. We rely solely on the trust fund's formula money and State revenues.

While we do not object to the current options to capital markets for DOTs, we would strongly object to increasing those options at the expense of the Highway Trust Fund. There is ample documented evidence that shows infrastructure investment is critical for the long-term economic growth, increasing productivity, employment, household income, and exports.

Conversely, without improving our Nation's infrastructure, deteriorating conditions can produce a severe drag on the overall economy. In light of new capacity and upkeep needs for every State in the country, the current trajectory of the Highway Trust Fund, the backbone of Federal Surface Transportation Program, is simply unsustainable, as it will have insufficient resources to meet current Federal investment levels beyond fiscal year 2020.

I want to thank you again for the opportunity to testify, and I am happy to answer any questions that you may have.

Mr. GRAVES OF MISSOURI. Thank you, Mr. Schroer.

Next we have Mr. Michael Lewis, who is the executive director of the Colorado Department of Transportation, and he is here on behalf of the Western Road Usage Charge Consortium.

Mr. LEWIS. Thank you, Chairman Graves and Ranking Member Norton, for the invitation to testify before the subcommittee today specifically on a possible alternative funding mechanism, what we call the road usage charge, or RUC. You may also hear these systems referred to as a mileage-based user fee or vehicle miles traveled fee.

I am pleased to be here representing RUC West, a voluntary coalition of 14 western State departments of transportation committed to collaborative research and information sharing on the development of a new funding method for transportation infrastructure. The primary goal of this coalition is to build public sector organizational capacity and expertise in RUC systems, including associated policy, administration, and technology issues.

The Colorado Department of Transportation is facing a nearly $1 billion annual funding shortfall over the next 10 years, and is exploring transportation funding alternatives, as the gas tax is unable to meet the infrastructure investment needs of the transportation system. To put it in simple terms, we need to nearly double our current amount of funding to meet the transportation needs of Colorado.

Sadly, our State's funding situation is not unique. It is a dilemma that is shared by all States across our country. This dilemma is driven by one simple fact: The gas tax, as we know it, is not sustainable. For many years, gas taxes have worked well as a user fee to fund transportation. The more someone drove and used the system, the more fuel they purchased, the more they paid toward maintaining and improving our system.

New fuel economy standards and the growing adoption of alternative fuel vehicles have upset that balance. Alternative fuel vehicles, including full electric, hybrid, compressed natural gas, liquid natural gas and propane, pay little or no fuel taxes, regardless of how much they use our highways. Their adoption and use are not bad things. They have significant positive benefits. But it also means that we must find a new, fair, and equitable way to collect user fees to adequately maintain the transportation system we all rely on.

So what are Colorado and other members of RUC West doing to prepare for a future of more electric and alternative fuel vehicles and increased fuel efficiency? We are working cooperatively to research and evaluate a mileage-based fee system as an alternative funding mechanism to replace the gas tax.

As the number of people in Colorado increases, so do the number of vehicle miles traveled and the wear and tear on our roads. Under a road usage charge, vehicles pay for the miles traveled, which equitably charges for the usage of the system, regardless of fuel type or fuel efficiency. Using pooled resources, RUC West has advanced research in the field by examining the impacts of changing vehicle fuel economy on State transportation funding, the effects of RUC on rural residents, protection of user privacy, parameters for RUC per-mile rate setting, and evasion and enforcement policy options.

A number of States have already deployed pilot programs. In California, funding is used to evaluate a pay at the pump option for RUC, which includes electric charging stations. Colorado is working with the agricultural community to pilot a RUC system for rural residents; Hawaii is researching RUC collection on manual and automated readings at inspection stations; Washington State is testing critical elements of the interoperable multijurisdictional RUC system; and Oregon, the leader, continues to refine and improve their operational RUC system.

These individual State efforts demonstrate the complexity and sophistication of RUC West member States and their understanding of the RUC system. In short, our States are working as laboratories, and are producing meaningful, replicable results.

RUC West is demonstrating that the type of cooperation and collaboration needed to define and implement a new model for transportation funding is possible. In less than 5 years, we have gone from one State with a pilot program to many States with pilot activities and supporting legislation.

Are there questions and concerns about RUC? Of course, there are. However, CDOT's recent pilot efforts demonstrate that the questions have answers and the concerns can be relieved. Our pilot allowed drivers of different vehicle types to choose how they report their mileage and compare what they pay under a road usage charge versus the current gas tax. Participants reported high satisfaction with all aspects of the pilot program. Ninety-one percent of participants said they would participate in a future pilot.

Mr. Chairman and members of the subcommittee, it is ideas like these led by States that can help answer the very nature of this hearing, how do we provide long-term funding for our transportation system? CDOT and RUC West will continue to explore the possible funding mechanisms to ensure Americans have the mobility they need for livable communities and economic health. However, we cannot stress enough that we have an immediate funding crisis in this country regarding infrastructure. The findings from these pilot programs will provide important information on how best to structure and implement a sustainable funding mechanism for the long term.

Mr. Chairman and members of the subcommittee, the future is upon us. We value our partnership with the Federal Government to support this work. I appreciate the subcommittee's time and attention to this important topic, and I will be happy to answer any questions you may have. Thank you very much.

Mr. GRAVES OF MISSOURI. Thank you, Mr. Lewis.

Next, we have Mr. Chris Spear, who is the president and CEO of the American Trucking Associations.

Mr. SPEAR. Thank you, Chairman Graves, Ranking Member Norton, and members of the subcommittee. Thank you for giving ATA the opportunity to testify on long-term, sustainable funding solutions for surface transportation infrastructure.

The fact that we are having this discussion today, more than 2 years away from the expiration of the FAST Act, is welcome. It is a testament to the leadership of this committee and by President Trump, who I believe made this a front burner issue. I commend that. Now the hard work begins, paying for it.

While ATA recognizes how difficult it is for Members of Congress to commit to, or even openly discuss the types of spending needed to address our ailing roads and bridges as well as the revenue raisers necessary to get there, it is very clear that doing nothing will impose a much higher cost on the American people, and on the industry that I represent.

Each year, motorists spend more than $1,500, due to the lack of infrastructure investment. That is $500 spent repairing their vehicles and nearly $1,000 more wasted sitting in traffic. The trucking industry loses more than $63.4 billion every year because of congestion. That is 362,000 truck drivers sitting idle for an entire year. And as much as we loved the tax cut we got last year, we are going to give it all back, because that $63 billion is like a 9-percent tax on our industry. These are the costs of doing nothing.

Our solution, the Build America Fund, is the most immediate, efficient, and conservative way to tackle this problem. We are proposing a 20 cent fee on fuel at the wholesale terminal rack, 5 cents per year for 4 years. Unlike tolls or mileage fees, it is extremely inexpensive to collect. More than 99 cents on every dollar will be spent on transportation programs and projects, not paying for new bureaucracies or lining the pockets of foreign banks. It doesn't grow the budget deficit, it shores up the Highway Trust Fund, and it puts real money on the table, $340 billion in new additional revenue over the first 10 years.

Here are the alternatives: Doing nothing costs drivers 15 times more than they pay under our proposal. Borrowing money from

China just passes the buck to future generations with interest. Some States, in desperation, are resorting to tolls. Just look at I–66, just a stone's throw away from Capitol Hill. You have toll rates now up to $47 just one way for a 10-mile trip. Rhode Island is using a loophole in the Federal law to discriminate against trucks by charging a truck-only toll for more than a dozen bridges. And there is the idea of selling off public infrastructure to the highest bidder, leaving the people who rely on those facilities holding the bag decades after the money gained is spent.

We offer a simple immediate solution: That same motorist currently paying $46.75 to go one way one day on I–66 would pay just $2 more a week under the Build America Fund for all roads and bridges. That is hardly regressive, and it doesn't mortgage our future or rely on inefficient fake funding schemes like tolls. Rather, the Build America Fund is a no-brainer. And if the money raised goes back into roads and bridges, people, including ATA members, will gladly pay it.

Our proposal also fulfills the Federal Government's obligation under article I of the Constitution to establish roads and strengthen interstate commerce, not kick the can by devolving authority to cash-strapped States. This is an investment not just in our highway system, but in our economy and in jobs. Perhaps most critically, we know that providing the resources for highway safety improvements can save thousands of lives and prevent countless injuries.

The trucking industry understands, like nobody else, roads and bridges are our backyard. We see them every minute of every day. To the 7.4 million hardworking people who move 71 percent of the domestic freight in this country and to most Americans, this is not about ideology, which is just another excuse to do nothing.

ATA believes this is about doing what is right for America. Trucking pays half the tab into the Highway Trust Fund, and we are willing to pay more, because we know that the price for this investment is small compared to all the benefits we will receive. And that is why Ronald Reagan twice signed an increase in the user fee into law. He led, and our Nation prospered. Roads and bridges are not Republican or Democrat, they aren't free, and they aren't cheap. It is time to start investing in our future.

Thank you for the opportunity to testify today.

Mr. GRAVES OF MISSOURI. Next, we have Mr. Ed Mortimer, who is the executive director of the transportation infrastructure at the U.S. Chamber of Commerce.

Mr. MORTIMER. Good morning, Chairman Graves, Ranking Member Norton, members of the subcommittee. My name is Ed Mortimer, and I have the pleasure of serving as the executive director of transportation infrastructure at the United States Chamber of Commerce. I also serve as executive director for the Americans for Transportation Mobility Coalition, which has been established since 2000 with business, labor, and a variety of transportation stakeholders that have been advocating on behalf of the importance of a national infrastructure program. And I am honored to be joined by one of our management committee members, Chris Spear, here today.

America's transportation network is a vast system that connects people and places, moves goods, and boosts our economy and ensures our quality of life and safety. It has served as the backbone of the Nation's economy. As this subcommittee knows, America's infrastructure is aging and in dire need of modernization.

We believe now is the time, now in our Nation's history, is the time to have this discussion and to move forward with what is the next system that we need to have. President Donald Trump has repeatedly announced his desire to enact an infrastructure investment plan, and many in Congress have expressed a willingness to advance such legislation. We were pleased to see the administration release their legislative principles, which has allowed the House and Senate to begin this hearing process. The national chamber and the Americans for Transportation Mobility Coalition believe that this is a once-in-a-generational opportunity for Federal leadership to modernize America's infrastructure, and that this effort is critical to our Nation's future economic success.

As this process moves forward, the national chamber believes that any package should include the four following principles, and I will note we released these principles on January 18th on LetsRebuildAmerica.Com. The four principles are: Increasing the Federal fuel user fee by 25 cents for surface transportation projects; implementing a multifaceted approach for leveraging more public and private resources; streamlining the permitting process at the Federal, State, and local level; and expanding America's workforce through work-based learning and immigration reform.

We believe that business, labor, public transit advocates, and other key stakeholders must partner with Congress to find a long-term sustainable funding source for the Highway Trust Fund. Currently stuck at 18.4 cents a gallon, the Federal gasoline tax, as mentioned, has not been increased since 1993. Since then, its purchasing power has lost over 40 percent. It is the national chamber's position that the simplest, most straightforward solution to this immediate problem, that we as a Nation face, is to increase the user fee. It is not that the user fee isn't sustainable; it is that we haven't adjusted it. Could you imagine selling a 1993 product? That is what we are selling U.S. infrastructure at now, at 1993 cost.

And yes, in the long run, we know that we need to look at other methods to pay for future modernization of infrastructure, but those are down the road. We are very excited about some of the programs and the options that are out there. But we have a problem today, ladies and gentlemen, a problem today that needs to be addressed. Putting this off will continue to cause our economy to suffer, will infect the quality of life of all Americans, and will not allow us to have the economic growth that tax reform, which the national chamber was a big proponent of getting, we are not going to have the full benefits of tax reform without getting infrastructure modernization done with paying for it.

Again, we certainly see a very critical and important role for private investment. We applaud this subcommittee for its work in looking at public-private partnerships. We believe that it is a tool in the toolkit. There needs to be more private investment. We can get all the public investment in the world, we are not going to solve all of our infrastructure needs.

So, again, enhancing and plussing up funding for current Federal credit programs, looking at potentially creating a new revolving loan program, all options that this subcommittee needs to consider, but private investment has to be part of the mix moving forward.

We talked about permit streamlining. This subcommittee has done great work on the surface transportation side, but we need to codify the administration's one Federal decision for that 2-year timeline to get projects through the list. And the U.S. Chamber of Commerce believes we need to additionally incentivize State and local governments, if they are going to get Federal money, that they also need to meet that 2-year requirement. Again, not changing environmental law, maintaining public input, but providing regulatory certainty. The number one reason we hear private investors aren't investing more in U.S. infrastructure, the lack of regulatory certainty in the process.

The bottom line is that the time to make these important investments is now. Delaying action only makes these decisions more difficult and projects costlier. Our ATM Coalition has been talking to people around the country. We talked to Vicki Kitchin from the Build Indiana Council, who said, "we need to make these investments; it is our turn now."

Our forefathers made the investments in infrastructure. Chairman Shuster talked about Teddy Roosevelt, Dwight Eisenhower. It is now our time to make those investments. We as a business community are willing to stand with you, Members of Congress, to get the job done. Delay is not an option.

Thank you for the opportunity to speak.

Mr. GRAVES OF MISSOURI. Next, we have Ms. Thea Lee, who is the president of the Economic Policy Institute. Thanks for being here.

Ms. LEE. Thank you, Chairman Graves, Ranking Member Norton, members of the subcommittee, for the invitation to come here today. My name is Thea Lee. I am president of the Economic Policy Institute, the Nation's premier think tank for analyzing the effects of economic policy on the lives of America's working families.

For many years, EPI has consistently and repeatedly advocated for a substantial increase in investment in the Nation's infrastructure, in light of the extraordinary benefits this would bring to the U.S. economy, to workers, and to American businesses.

The first step is to keep our current infrastructure from further deteriorating. Allowing the Highway Trust Fund to become progressively underfunded in the coming decade would do great damage. The Highway Trust Fund is currently funded, as others have talked about, by the Federal gas tax, which is not indexed to inflation and has not been increased since 1993. To ensure that the Highway Trust Fund has the resources to fund its planned expenditures, the current gas tax should be raised, or a new dedicated revenue source for the HTF should be found. Adequately funding the HTF will also free up funding for other infrastructure needs not funded by the HTF, like aviation and rail.

But I want to be clear that simply maintaining the status quo by finding a funding source for the HTF is far from adequate. The current state of U.S. infrastructure is deeply deficient, due to past neglect and underinvestment. So we don't need to just maintain current infrastructure spending; we need to substantially increase it.

Our research at EPI indicates that reversing this chronic underinvestment in infrastructure will require a strong Federal role and a commitment of Federal resources, even beyond new resources for the HTF. Currently, we rely heavily on State and local governments to finance a large share of infrastructure, particularly highways and transit. This heavy reliance on State and local governments has led us to the current situation, which virtually everybody agrees is suboptimal.

I want to highlight some of the findings from our past research on infrastructure. The first is that there is no free lunch or free road or free bridge. American households will, in the end, pay for improved infrastructure, either through higher taxes or through user fees and tolls. Too often, advocates of leveraging the private sector via public-private partnerships or other schemes to incentivize private provision of infrastructure obscure or underplay this basic economic truth.

Second, the Federal Government provides some key advantages to financing over private actors, and even over State and local governments. The clearest advantage is that the interest rate paid on Federal debt is lower than what is available to private actors or the States, making long-term debt financing cheaper for the Federal Government.

Some have claimed that State and local provision of infrastructure is more efficient, simply because these levels of Government are closer to end users. But this argument is clearly wrong. Economic efficiency depends on the funding mechanism, not the level of Government. So a project financed by the Federal Government through a user fee, like the gas tax or mileage fee, is no less efficient than one financed by a State government through a user fee. Crucially, because State and local governments are not incentivized to take account of externalities or regional spillovers, they may underinvest in key infrastructure projects.

We know that it isn't just, for example, Maryland residents who use Maryland roads and transit. Motorists and riders from other States do as well. So if Maryland policymakers are ignoring the potential benefits that accrue to out-of-State users, they are likely to underinvest in Maryland roads and transit. Virtually, all of our transportation systems are linked across State lines, and serve nonresidents as well as residents. So coordinating and prioritizing infrastructure projects at the Federal level can lead to significant efficiencies.

And it is essential that all infrastructure projects, whether Federal or State, public or private, support good jobs with good wages, and explicitly incorporate key labor standards like Davis-Bacon. Infrastructure projects that pay good wages have durable benefits for communities and local tax bases, unlike those that seek to undermine decent wages and standards.

Public-private partnerships and State infrastructure projects should meet the same high standards as federally financed projects. Buy America provisions, ensuring that infrastructure inputs and materials are made in America, consistent with our international obligations, are also essential for maximizing the benefits of infrastructure investment, in terms of good jobs and strong communities.

Traditionally, there has been bipartisan support, there has been business and labor support for infrastructure investment, but in recent years, some of that has eroded.

I hope that the broad support that we heard in today's hearing, and appreciate the other witnesses—I hope that that broad support will enable action in the near future. As many have said, and I totally agree with Mr. Mortimer, Mr. DeFazio, that the timing is urgent to act on this, that we can't afford to ignore it any further. It is important for our economic health, for our global competitiveness, and for good jobs.

Thank you for your attention. I look forward to any questions you might have.

Mr. GRAVES OF MISSOURI. I will now turn to Chairman Shuster for opening questions.

Mr. SHUSTER. Thank you. Again, thank you all for your testimony. I appreciate you being here to talk about such an important issue. I want to turn to Commissioner Schroer first, and maybe last, because I would like to hear—your State of Tennessee has—I think I counted nine interstate highways running through it.

Now, I would like to think that since I–81 runs through Pennsylvania that it is as important to your State as it is mine, but I would like for you to talk about that, how important it is, and maybe some of the other roadways through your State. In Tennessee, where are you going to focus your dollars? It would seem to me if I was a DOT commissioner or secretary, I would focus them where I am going to get the best bang for the buck.

But knowing that I–81—again, I go to I–81—it is important to Pennsylvania. I am not sure—I think it is pretty important to Maryland, but they have 18 miles of it, so they don't have a whole lot of money that they have to spend to widen it. So, again, you have got so many interstates coming through your State, can you tell me which are the highest priority? Where is I–81, for instance, on the priority list and what are low priorities, which may affect other States if they are not a priority going through your State?

Mr. SCHROER. I can assure you, I–81 is one of my top priority interstates.

Mr. SHUSTER. Thank you.

Mr. SCHROER. As you said, we have nine interstates. We have over 1,000 miles of centerline interstate roads running through Tennessee. It is a pretty broad but not very tall State. But one of our most important roads, except for I–81, is I–40, and it goes all the way from, you know, the east coast to the west coast and carries a huge amount of traffic.

The truck traffic that is on I–40 is significant and carries a whole lot of commerce throughout the State; I–65 north-south, I–24, same way. And we have to spend those dollars that we have to maintain and to increase any capacity that we might need on those roads. But those roads are all important to the State of Tennessee.

I do want to bring attention to another interstate that is just sort of beginning in Tennessee, and it is I–69, and I–69 goes from Detroit to Texas. It is considered a road of national significance. We have received over $350 million in earmarks on I–69, and we have put those to good use.

We are currently working on an area around Dyersburg in northwest Tennessee for a loop around that city. We have done a lot of work on that road in Memphis, but there is a 70-mile stretch south of Dyersburg to Memphis that runs through farmland that is much, much more important to the whole corridor of I–69 than it is to the State of Tennessee.

It is the cost of about $1.5 billion for this 70- to 75-mile road. It is a road project that now has to compete with every other road project that we have in the State of Tennessee. And we rank roads on prioritization from safety, congestion, and economic development; and, quite frankly, I–69 doesn't reach any of those parameters. So it is a road that we will have a hard time funding and completing without some Federal investment.

Mr. SHUSTER. What it sounds like is, quite frankly, you are not going to spend your precious dollars on a roadway that isn't that great a benefit to Tennessee, but if I am right, I–69, I think, crosses through eight States. And Texas, for instance—I have been in Texas. I have been in Indiana. I know it is important to Indiana and Michigan.

But there will be a missing link in I–69, not because you don't want to build it, but because you can't afford to build it. That is a perfect example of what the interstate highway program is all about. And I don't want to steal Mr. DeFazio's thunder or his visual, but the State of Oklahoma and Kansas, it sounds to me that could happen. I–69 could, over the years, be built and all of a sudden, there are 70 miles in Tennessee that you are not going to build it unless the Federal Government contributes to it and gives you a push or an incentive, and that is the money part. Is that accurate?

Mr. SCHROER. We will have a hard time putting $1.5 billion in that road as it competes with all the other roads across the State of Tennessee. And if we do, it will take a long, long time to do it. And without that link or any other links on I–69, it is not an effective roadway for the country. And I think that is an important road for the United States, especially the north-south traffic.

Mr. SHUSTER. Thank you very much, I appreciate that.

I yield back.

Mr. GRAVES OF MISSOURI. The Chair notes the presence of our colleague and good friend, Mr. Larsen. We appreciate your interest in this topic and your participation today. And with that, I would ask unanimous consent that Mr. Larsen be allowed to fully participate in today's hearing. And, without objection, that is so ordered.

I now turn to Ranking Member Norton.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. Lewis, you could do a real service to this committee by making us understand whether VMT is the answer to our problems. Now, I really don't want to go down a rathole, but I was one of those who thought that, well, this may be the answer. But I am looking at Colorado's comparison experiment, and we really need your most candid assessment here, because Colorado had the pilot program, and under your program, the drivers were able to compare what they would pay under a road usage charge versus current gas tax. I wonder if you see any problems in the eventual transaction without a raise in the gas tax?

If we simply converted an inadequate gas tax to a per mile, this is my real question, to a per mile. So status quo, but it is a per-mile fee at the same rate, which is inadequate, would the VMT do us any good, or is it inevitable that the gas tax would have to come up, because as people saw these comparisons they would see the difference? In other words, what did the pilot tell us?

Mr. LEWIS. Right. Thank you, Ranking Member Norton. I think it is an excellent question. I think Mr. DeFazio raised it as well and many of my panel members. We are not there today.

Ms. NORTON. You are not what?

Mr. LEWIS. We are not there ready to implement a road usage charge today. That is why we have these pilot programs in place initiated by Oregon more than 15 years ago to test out is this a viable option.

I had the honor of testifying before this committee maybe 5 years ago, and we were talking about maybe by 2025 that would be ready. I would say that may still be true—and I would support my colleagues that we need a bridge. If we are ever going to get to a road usage charge, we need a bridge to get there. If it is 10 years away, Colorado is getting into a $5 billion deficit in that 10 years before we are ready to implement a road usage charge.

Ms. NORTON. But would that mean a gradual raise in the gas tax over time so people wouldn't——

Mr. LEWIS. That is certainly one option. It is what is in place today. Administratively this would be the relatively easy way to go. I think it is a politically difficult way to go, as has been mentioned.

But if we are going to—the concern about the sustainability, and some of my colleagues talked about this, the sustainability of the fuel tax, (A), it is not indexed. We know that. So in 25 years, we have lost 60 percent of its buying power. But the other thing that is really important to think about is we are—I believe there is no turning back on the evolution of motor vehicles to be operated by electric motors or alternative fuels. The auto manufacturers are already, you know, planning to go that route. So over time, we will be taking in—if we stick to the fuel tax, we will be taking in less and less revenue per vehicle miles.

Ms. NORTON. So the automatic vehicles will use, what, less——

Mr. LEWIS. An electric vehicle will pay no fees.

Ms. NORTON. Oh, the electric vehicle.

Mr. LEWIS. The electric vehicle will pay no fees. A compressed natural gas vehicle will pay no gas tax. So those are coming, and I think we need to prepare ourselves for that and we need to get ahead of it. And I think that for every day that we delay further study on a potential alternative is a day that we'll be late implementing it. That is why we feel that in the Western States it is so important to study more. These questions that you have raised are absolutely important questions. How do we operate——

Ms. NORTON. Are you testing the transition costs as well so that we would know whether or not a gradual raise in the gas tax or some other solution as you see the comparisons?

Mr. LEWIS. I think that is an administrative or legislative discussion, because we see it as a potential future replacement for the fuel tax. But in that period of time when we all know that, you know, we still need to make that bridge so we have sufficient revenues to fund the Highway Trust Fund, we are going to have to do something more than what we are doing today.

One of the pilots that is underway right now between California and Oregon is to study about interoperability, how does one State reimburse another State for travel between States? That is something that has to be worked out. How do we do that across the whole country? The I–95 Corridor Coalition has a similar pilot underway to think about how would you do it in—I believe Pennsylvania and Delaware are working on that.

There is a lot more study. We are not ready yet. I want to be very careful to say we are not ready to implement that yet, but it is an—I think what the pilots are showing——

Ms. NORTON. How much longer—I mean, is there a timeframe for the study?

Mr. LEWIS. I think it is difficult—I would say it is, you know, it is probably still 10 years off before it can be fully implemented.

Ms. NORTON. Thank you very much, Mr. Lewis.

Thank you, Mr. Chairman.

Mr. GRAVES OF MISSOURI. Mr. Barletta.

Mr. BARLETTA. Thank you, Mr. Chairman.

Many of my colleagues are probably tired of hearing me say this, but I grew up working in a road construction business, so I know firsthand how uncertainty about Federal funding impacts everyone from State and local governments right to the private industry. That is why I believe so strongly in finding a long-term, sustainable solution for the Highway Trust Fund's revenue shortfall.

I think that President Trump's commitment to getting an infrastructure package passed this year provides the perfect avenue to do that, whether it is through a gas tax, which I have consistently advocated for, or another user fee. We heard Secretary Chao say it here yesterday that everything is on the table. This administration is open to considering all revenue sources. Charging a user fee to those that benefit from activity is a conservative principle. Currently, however, not all users of the trust fund are paying in.

Mr. Schroer, can you speak to actions our States have taken or have looked into to ensure more users of the transportation system are supporting that system?

Mr. SCHROER. Well, thank you very much. As you know, we did pass a new revenue bill last year, and that was a great consideration to us. And so we, as part of the bill, while we did raise gas taxes 6 cents and diesel fuel 10 cents, we also added a fee for electric vehicles of $100 a year, and we added a fee to alternative sources of fuel as well. So compressed natural gas and other types of fueling, we added that to the bill. So we felt like we made a start in looking at other options as that happened. And so we hope it has an impact and we think it was how we should go about it.

Mr. BARLETTA. Going back to the idea of a gas tax increase, I recognize one concern about this idea is that it is regressive. What we should not overlook, however, is the financial costs from wasting time and fuel sitting in traffic congestion and vehicle repairs incurred from potholes and other roadway damage are also disproportionately shouldered by those with lower income. I have always said it is better to spend money to solve a problem so that you never have to deal with it again, rather than keep putting a Band-Aid on this problem. You wouldn't keep replacing your carpet in your home if your roof was leaking. You would fix the roof.

Now, while I continue to hear all options are on the table when it comes to a sustainable revenue source for the trust fund, my question for each member of the panel is what is more important, the outcome of permanently fixing the Highway Trust Fund or the user fee mechanism deployed to fix it? If we can go down the line.

Mr. SCHROER. Well, I think as the State of Tennessee and also as AASHTO, it is important for us to have a long-term sustainable funding source. We are completely convinced that is how it needs to be done. We feel it should be formula based that allows States to put priorities on projects as best they can. They know what is going on.

And AASHTO has recommended many different options. We have revenue options that we have published for everyone's consideration, but we do continually believe that a sustainable form of revenue is important for us.

[AASHTO's "Matrix of Illustrative Surface Transportation Revenue Options" is on pages 109–116.]

Mr. LEWIS. And I fully concur with my colleague from Tennessee. And I would also add, and to you who know the construction industry, how difficult it is to plan. You can't plan your labor, you can't plan your equipment purchases if you don't know—if you look out on a 10-year horizon that there is a sustainable level of funding.

So when money is dropped on us, which is great, we will never turn it away, it is very difficult to put programs out because our industry is perhaps not prepared for it. And so I think that sustainability and that predictability of the funding source is so critical to efficiency in this system.

Mr. SPEAR. I would say it is all about the money. You all know how to do a highway bill. You have done the FAST Act, MAP–21, SAFETEA–LU. I mean, you guys know how to write a highway bill. That is not the issue here. The issue is funding it, real money, putting real money on the table.

I think it is imperative that this President put the full power of his office behind this. If he wants it done this year, he is going to have to lead up here. He is going to have to work collaboratively with you, not just throw everything on the table. Pick something, pick several things, but to get to the number that we are talking about, you are going to have to really get behind this all the way through the process and work collaboratively with you. We are here as a panel to really support you through that process, and I think that is really important.

Beyond the money, I think 10 years is really a good swath of time to play with here, because it provides certainty. If you are going to build a real major project, whether it be a bypass, a bridge, a tunnel, you are not going to do it in a matter of 12 months; you are going to do it over the course of 3 to 4 years. And to have that kind of certainty out there at the State and local level is really significant, and I think you will see a lot of economic gain from that type of certainty. So beyond the money, I think the 10 years is really an important element.

Mr. MORTIMER. I couldn't agree more. I would also concur that the national chamber put out its 25 cent gas tax, not because we always love doing that, because we looked at all the other options. But we are willing to work with the administration and Congress. It has got to be long-term sustainable, as Chris said, 10 years. If you are going to modernize infrastructure, it has to be a 10-year plan.

So we have been patchworking this for the last 15 years. If we are going to truly deal with it, let's come up with that long-term sustainable funding source. And I think what I have heard today is that, while vehicle miles traveled has some outcomes in the future, we are not there. So if somebody can come to us with a long-term sustainable source that is going to invest and modernize infrastructure, the national chamber is going to be all for it.

Mr. BARLETTA. That is like Dippin' Dots. It is the ice cream of the future. It is always the ice cream of the future.

Ms. LEE. And, yes, you know, while we are always concerned with the progressivity or the regressivity of any funding mechanism, I think in this case, the user fee, the gas tax, or other user fee is warranted to make sure that Highway Trust Fund because the benefits are so widespread, as you said, and the impact of congestion and other things fall on everybody. But as I also said, you know, our belief is that we need additional funding beyond making the Highway Trust Fund whole, and that could be done in a more progressive way, particularly at the Federal level and should be.

Mr. BARLETTA. Thank you. Thank you, Mr. Chairman.

Mr. GRAVES OF MISSOURI. Mr. DeFazio.

Mr. DEFAZIO. Thanks, Mr. Chairman.

I am going to get the chairman his own copy, but this is our latest version, and since he brought it up and Mr. Schroer really underlined the need for Federal investment, I mean, when you talked about that section of I–69 in your State that cost $1.2 billion, which is delivering benefits for the nationwide system, not just for your State. But, again, I have been showing this for years. Amos Switzer's farm field, brandnew Kansas turnpike. There is where it ended because Oklahoma got in financial difficulty until we had the Federal program. That's why we need a Federal program.

If devolution didn't work in the 1950s, how the hell is it going to work in the 21st century when we are competing worldwide with other countries? Back then we were the dominant power in the world, we didn't need to worry about competing. So I will get Bill his own copy.

Now, Mr. Lewis, on your VMT, and I—you know, you have a lot of satisfaction with the small number of volunteers, you had 150 or so, and you had highest satisfaction among those who were GPS based. And I am going to have my staff follow up with you because of all the concerns I hear about privacy. I mean, when we did our first pilot in Oregon in Blumenauer's district, I mean, the people in Blumenauer's district are not representative of the people in my district, in my rural areas in particular—they are happy that the Government should know where I am all the time, and in my district it is like the Government will know where I was after they have got the gun from my cold dead hand in my car. So it is—you know, there are some real issues there that need to be resolved.

But my question would be, did you use congestion pricing? I mean, you are tracking the mileage by GPS because—here's my concern: You live in eastern Oregon, you have to drive 30 miles to the feed store. We shouldn't be charging that person the same per mile as someone who jumps onto I–205 in Portland, Oregon, which is backed up at rush hour, and now they are talking about, you know, having to toll because they are trying to drive people off of it. You know, so did you do variable pricing?

Mr. LEWIS. Thank you, Mr. DeFazio. We did not in our pilot.

Mr. DEFAZIO. OK. Do you think that, for purposes of equity, that that is where we need to go?

Mr. LEWIS. I think the system theoretically certainly allows that to happen, which is either a pro or a con against using a road usage charge.

Mr. DEFAZIO. Right. But, I mean, do you feel that it would be equitable to charge a rural Coloradan, you know, X cents per mile to drive on an empty road to the farm store, you know, farm supply store, and yet someone who jumps on, you know, the freeway right downtown in Denver, you know, at rush hour, they pay the same per mile? That doesn't seem right.

Mr. LEWIS. Well, I think the opportunity exists to evaluate that and to make different pricing, but I do think that one of the—and we are doing a second pilot this year specifically for the rural parts of Colorado to learn more about their impacts and their needs.

And one of the things we found in the previous study was that, you know, many, as you know, coming from the rural part of the State, that many of the highway users in rural areas have, you know, older vehicles, larger capacity engines. If you drive an F–250, you are going to use a lot more gas than if you are driving a Prius in downtown Denver. And one of the opportunities for a road usage charge is that there is more equity because you are not paying based on the type of vehicle you need to use for your purposes; you are paying on how much you are using the roadway. So whether you are driving a Tesla in Boulder or an F–250 in Brush, you are paying for the use of the road, not what your vehicle uses in fuel. I think that is an opportunity.

I think the issues you raise about equity on, you know, using on a congested highway versus a two-lane rural roadway, that is a very good comment, and I think that is something that would need to be studied further. Can you provide different levels of fees based on the type of road that is being used?

Mr. DEFAZIO. Yeah, well, that is—and again, these are why we need—it is going to take us probably 10 years to get to something that would be acceptable nationwide and coordinated among the 50 States, since it isn't going to be a devolved 50-State program, because that wouldn't work too well. So I appreciate that observation.

I mean, the perversity of Oregon's current pilot is that if you have one of those giant dually pickup trucks, you will save money by paying under the VMT as opposed to the fuel tax. I am not sure we want to encourage that, but I also get the thing about the older, less efficient vehicles in the rural areas.

And my time is just about up here. I just want to congratulate—you have all been great. But, Mr. Spear, thank you for your extraordinarily outspoken factual testimony on the issue and particularly bringing up the issue of I–66 and $46.75 to go 10 miles. That is one heck of a toll. Four dollars and 67.5 cents per mile. Not too many Americans can afford that. That is not the future that we desire.

Thank you, Mr. Chairman.

Mr. GRAVES OF MISSOURI. Mr. Young.

Mr. YOUNG. Thank you, Mr. Chairman. I want to thank the panel.

I am a little bit late, but everything I have heard here so far is good. If you had done what I wanted to do in 2005, we wouldn't be here today. At that time, it was 5 cents and indexing it. People don't understand we passed it in 1991—by the way, I have been through every highway bill since the beginning, and 1991 is 18½ cents per gallon; for our trust fund, as everybody knows, is about 7 cents now buying power. That is why we are behind the curve.

I still believe in the user fee and the gas—I hate to say tax—just the user fee, but it is a gas tax. I think it is fair, so we are going to have carbon a long time.

But I want to ask you, Mr. Spear, you supported the fuel tax, I think, most strongly for many years. What are we going to do about the electric trucks and all of the other things that are going to occur? How are we going to collect the money if they don't use fuel?

Mr. SPEAR. Well, there are a number of ways you can do it right now. I don't think we would shy away from looking at alternative funding solutions, like using DMV registration fees, for instance. My testimony speaks to this. You don't have to create a huge bureaucracy to collect and capture alternative fuel vehicles, like electrics, hydrogen, CNG. Just have them register at the DMV annually. We all do that, no administrative overhead, and that is about $29 billion over 10 years.

Mr. YOUNG. But the only problem with a registration fee, and by the way, I set up a commission and they came back with about four different suggestions. I have a truck that is electric. I register it and you charge me. But my truck only goes 10 miles. His truck, the chairman's truck, goes 5,000 miles on a highway. We are paying the same price. That is not fair. And so somewhere we have got to figure out equal or equity for those that travel long distances and those who travel short distances. But if I have my way, Mr. Chairman, there will be no cuts for any electric cars or anything else because they are using our roads.

Mr. SPEAR. That is correct.

Mr. YOUNG. And we are going to be in carbon use for a long time, regardless of what they say. Some people say 10, 20 years. I am saying 50 years before we finally get off of carbon-driven automobiles. We will increase electric cars. We have to collect some way, and I am looking for a suggestion. Is it a registration fee? I don't think that is fair. Is it a mileage fee? If we can collect on the mileage fee, that would be fair because, otherwise, I pay for what I use and you pay for what you use.

Ms. Lee, I want to ask this question because the Trans-Alaskan Pipeline, which I am very well aware of, was built by a project labor agreement. Yesterday, Secretary of Transportation Elaine Chao urged inclusion of Davis-Bacon in infrastructure development. Would you advocate these provisions be included in any infrastructure package that comes before the committee and the House as a whole?

Ms. LEE. Yes, I would. Davis-Bacon provisions?

Mr. YOUNG. Why would you do that?

Ms. LEE. Because maintaining community standards in terms of labor and wages allows, first of all, better quality projects because you have less turnover, you have better training, you have better quality of labor. And it provides durable benefits to the community and to workers, so that I think it is common sense that if you have an infrastructure project, you want that to support good wages in the community and not undercut wages.

Mr. YOUNG. I thank you, because I have been an advocate for this because I watched the pipeline be built in 3 years, no delays, on time. I won't say it was under budget, but it was darn near under budget. And I am a big believer in project labor agreements because we will get a product that will be finished probably under cost, and we won't have any problems of one of the sideline groups having to strike and slowing the whole process down. Our biggest problem, it takes a long time to build a highway now, and it shouldn't. You know, the permitting process, we tried that in TEA–LU. It improved it, didn't finish it. We have to continue to do that so we are not delayed.

And agencies are our biggest villains, because they never do anything together. I have got a bridge here, and I think most people know where it is, where they are building a brandnew bridge next to another bridge that is falling down. Now the the U.S. Fish and Wildlife Service want to study the effect of the new bridge on the fish that swim back and forth. That is pure—never mind, I won't say it. I am not going to be a Don Young now, but it is a fact of life. So anyway——

Mr. SHUSTER. It is not my initials, is it?

Mr. YOUNG. No, no, no, no, no, no, no, no, no. But anyway, I want to thank the panel. And, Mr. Chairman, I am a big supporter of paying. You cannot do this from smoke and mirrors. You have to have a steady flow of income so you can plan ahead of time. We made the mistake in 1991 because we didn't index it. That is our biggest challenge.

So thank you, Mr. Chairman. I appreciate it.

Mr. GRAVES OF MISSOURI. Ms. Esty.

Ms. ESTY. Thank you, Mr. Chairman.

And I want to thank the panel, and you are all spot on. We know what we need to do. This is not a dispute about policy. I want to thank all of you for saying there is an immediate need. It is about real funding. It is not about financing. We have plenty of debt already. We need to get back to the user fee pays and keeps up with those needs. And we have now got several decades of not doing that. And that is a hidden cost, but it is a cost and we are all paying it every day.

John Katko, who I think had to leave, and I were part of a bipartisan group, and I will get you copies of this, 48 Members of this House, half Democrats, half Republicans, calling for real funding and real changes, and we need to do that right now.

I mean, my home State of Connecticut, our Governor has announced she is putting on hold over $3 billion worth of projects until we fix this funding problem. There is no free lunch, there is no free road, there is no free bridge.

So here's the question: Mr. Spear, you are totally right. We need the President to lean in. It is not enough to say it is all on the table. It has all been on the table for several decades. So the question for all of us here, but as for you as well, how are Members of Congress going to be held accountable for doing something, not talking about it, but doing?

People were held accountable for the easy vote to lower people's taxes. How are Members of Congress going to be held accountable by the States, by the truckers, by the national chamber, by the people who know the real cost to industry, to individuals? How are we going to be held accountable—carrots and sticks—so Members of Congress actually at this time with this President do something right now? Because it is an immediate need, we need to do it now. And every day we don't do it is a cost to our citizens and, frankly, it is a cost to our democracy. If we cannot do the basics on this, no wonder everybody is so frustrated and so angry when we do know what to do.

You know what, Syria and North Korea, we are not sure what to do. We know darn well what to do here, so help us figure out, like, how can you be part of it and what can we do? Thanks.

Mr. SPEAR. Well, there is a lot to work with there. You know, look, this is a wonderful venue. I sense a lot of bipartisan spirit in the room about trying to address infrastructure. The policy debate, as I said earlier, you all know how to write highway bills. There is no magic needed there. I think paying for it has always been the impediment. We haven't raised this since 1993. If we had indexed it, the Congressman is right, we probably wouldn't be having this discussion right now.

But beyond the hearing, beyond the policy debate and shaping legislation, you have got to vote. You have got to vote. You have got to put these amendments, these funding solutions on the floor and take votes. That is accountability. And we don't do that enough anymore. We used to. Ten, fifteen, twenty years ago you had regularity, bills passed. Whether you liked it or not, the best policy won, you voted, and things got signed into law.

I think the President getting in the game is critical, and I commend him. We would not be having this discussion right now if he hadn't made it so. He saw something during the campaign, now into this year, that no one really else talked about. We are still riding on the tails of FAST. We got a couple years left. This is the time to have this discussion, but he has got to lead. He has got to get squarely behind a funding solution or solutions, take your pick, but don't cough up the menu and say, Congress, you fix it. If that were the case, you would have done that 25 years ago.

Ms. ESTY. Anyone else want to weigh in?

Mr. MORTIMER. Sure, Congresswoman, I will weigh in. Look, what we have been doing at the national chamber is, you know, Congressman Shuster talked about what Pennsylvania did. It was the Pennsylvania chamber that was standing there. If you go to all these State and local initiatives, it is State and local chambers. So what we are doing is we are having our State and local chambers, we had 37 of them write a letter to Congress saying, look, it is time for Federal action.

So we are trying to mobilize our federation around the country and reminding lawmakers you can do it. They did it, they were successful. It is the business community working with organized labor, working with public transit advocates. This can be done. I don't know why there is this thought in this town that you can't do this.

This committee has led many big bills to do it. It is just time to get the political courage to get it done. All we can offer as the business community, we are willing to stand with you to do it.

Ms. LEE. And if I can just say, I think it is a powerful coalition when you bring labor and business together and put pressure on Members of Congress to do the right thing, to have the political courage, and to be rewarded for taking that stand. So it is time. Thanks.

Ms. ESTY. Thank you all very much.

Mr. GRAVES OF MISSOURI. Mr. Davis?

Mr. DAVIS. Thank you, Mr. Chairman, and thank you to the panel.

Like others have mentioned, and I know this was just a point of discussion from Mr. Spear, I think the President's call for an infrastructure package is an opportunity for us to look at fixing the Highway Trust Fund. I firmly believe, as everybody has said on both sides of the aisle, this has to be a priority for our Nation and has to be a priority for Congress.

Obviously, we are here because it is clear the trust fund, the current funding sources, it is unsustainable. It is equally unsustainable to continue to rely on budget gimmicks and General Fund transfers to fulfill our surface transportation investment obligations.

While I want to fix the Highway Trust Fund, I do not support a solution that only raises the current revenue sources. Solely raising the gas tax does not solve the long-term problem. As you look at more and more electric vehicles on the road as well as increased fuel efficiency, we have to think differently. And I know I am not the only Member of Congress because you have heard it here today that feels this way.

I think we need to look at the Highway Trust Fund as kind of like a 401(k). We have got to diversify. None of you invest your 401(k) in one stock. And frankly, when you look at the potential for electric vehicles to be more ubiquitous on our roadways in the upcoming years, if we don't do something now, then we are going to continue to see the need for budget gimmicks and General Fund transfers. That is why we want to stop. That is why we are here today.

I just was out in California and rode in one of Tesla's prototype semi trucks. Imagine when electric technology and hybrid technology gets into the fleet level and what that is going to do to decimate the Highway Trust Fund even more.

So you are here because we need to hear from you. Thinking in that 401(k) approach, a diversification, I want to ask you about, anybody on the panel wants to answer any of these concerns, do you agree that we need to be looking at other sources? And if so, what is your suggestion to bring in electric vehicles into the mix?

Mr. Spear, Mr. Lewis, you guys can fight over who answers.

Mr. SPEAR. I think Congressman DeFazio really hit on the point that this really isn't ready for prime time. We have got a lot of pilots, a lot of studies, and we need to be looking at alternative funding sources.

Mr. DAVIS. Are you talking about the VMT that Mr. DeFazio——

Mr. SPEAR. I am, and I think that is certainly one way that governments are looking at it. It is not ready for prime time. You are simply going from about 170 collectors of the fee at the wholesale rack, which is what we are proposing, to every vehicle on the road, millions. That is a huge bureaucracy to administer as it stands. You have got privacy issues. You have got cybersecurity issues.

Mr. DAVIS. Rural versus urban issues.

Mr. SPEAR. We are all for collecting. But I think, you know, the electric and alternative fuel vehicles currently on the roads today is very, very small. It is going to get big. The debate for alternative funding needs to start now, but it is probably going to come into play 10, 15 years from now. Let's start and have that debate now.

But for this current 10 years, we need real money on the table, which is why, in contrast, we are proposing using the user fee. It is the most efficient, immediate, and conservative way to raise money. It shores up the trust fund, less than 1 cent on the dollar to administer, and it is deficit neutral. There is not one proposal on the table right now that does all three of those things, except the user fee.

Mr. DAVIS. Well, Mr. Spear, I think you misunderstand what my priority is. I think Congress is only going to act now to be able to prepare for the future. I don't know if you have seen this yet, Congress as a whole usually doesn't like to act on anything without a deadline. And now, let's put our own deadline in place, because when electric vehicles become more of a part of our roadways, it is going to be that much harder to be able to put them into the mix. We need to talk about diversification now, and that has to happen.

Now the VMT, I disagree with many of my colleagues that that is the right approach. I am not a big fan of the VMT because I think it unfairly punishes rural America, where I represent, versus urban America. A single mom in my district that drives 30 miles to work is going to pay more than the single mom who drives to work 3 miles in the city of Chicago in Illinois. So I have got concerns with it.

Now, I think we need to look at some other sources. There are other ideas out there—registration fees, battery taxes, freight issues—but I want everybody at the panel to begin to think about diversification now, because simply kicking the can down the road is only going to lead us back to this same table, the same debate, the same discussions that we are having today and, frankly, that is why I am not in favor of solely looking at the existing sources. So I appreciate it.

Mr. Lewis, I know you wanted to say something, if the chairman would let you, but my time is up.

Mr. GRAVES OF MISSOURI. Go ahead, if you would like to answer.

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. Davis, I think that it is pretty easy to agree on what that trajectory is of vehicles that will get off of using gas and onto electric or other sources. We can look at what that trajectory is. We can see over time what percentage of the fleet and how quickly that is going to take over, and I think that gets to your point, is as that percentage of the fleet increases, we have to find a way to address those uses of our roadways. And so whether it is a one-time charge as Tennessee is doing or it is a per mile fee, I think we can start to blend those two, and I think we need to start to blend those two, but I am pretty sure it is going to happen. Is it 10 years, is it 15 years that that saturation of electric and other fuel vehicles take on? It is going to become more of an issue. And I think we need to start now thinking about how we get those into the program.

But as you said, and as many have said, it is not going to happen tomorrow. We need the bridge to fund the Highway Trust Fund in a sustainable way while we transition to these other modes of power.

Mr. GRAVES OF MISSOURI. Mr. Payne.

Mr. PAYNE. Thank you, Mr. Chairman. And thank you all for being here this morning.

I represent a very congested urban area with every mode of transportation within my district. However, transit funding issues are of particular importance to me at this time due to my State—and I am from New Jersey—my State's transit agency's troubled finances and some of the highest fares in the country.

Despite this administration's neglect of the transit in the President's infrastructure package, I would like to hear some more of the panel's ideas on innovative Federal transit funding models you would recommend to this committee. Sir?

Mr. SCHROER. In the State of Tennessee, the State does not operate transit, and it is operated locally. And so as one of the opportunities we had in our bill, the IMPROVE Act, we allowed large cities and large counties to actually do a referendum to raise taxes to fund transit. And as a matter of fact, as we speak, the city of Nashville is working on a referendum on May the 1st to implement their first large transit program. So that is an opportunity.

And obviously, transit has been part of the funding through the Highway Trust Fund for a long time, and I would think that would be a good source and it should probably continue.

Mr. PAYNE. Thank you.

Mr. MORTIMER. Congressman, I would just add on that, so we are big supporters of full funding of public transit as part of the Federal program and as the infrastructure program, so obviously the gas tax increase that we talked about, we support the 80 percent, 20 percent for transit. That needs to continue, so the administration's proposal to eliminate the CIG program we think is a bad idea. We need to fully fund the New Starts programs.

I think there are a lot of ways that public transit can look at innovative ways of finance. This subcommittee created a Penta-P program trying to incentivize communities to look at public-private partnerships as an opportunity. The Denver Eagle project was one that was able to utilize that program. There could be others that make it easier for transit to look at that.

We also have got to figure out ways to capture the value around transit stations. Right now, the Federal Transit Administration doesn't fully capture that value and how we provide that value into helping defray the costs of those projects. Those are some of the ideas that we have.

Mr. PAYNE. OK. Mr. Spear?

Mr. SPEAR. I was going to say buses do benefit from the Highway Trust Fund, so shoring up the trust fund is a critical element to the solution that we would recommend. Our proposal certainly focuses on that, and that is a benefactor. I think making certain that the trust fund is whole is really critical, but also that the moneys that go into the trust fund are put back into the designated places. Diversion of funding is really an element that we need to avoid that we are actually raising money, putting money back in. And tolling schemes don't generally do that. Diversion of funding and diversion of traffic, quite frankly, causes a heck of a lot of problems. You are moving people off those roads onto side roads. You are creating more congestion, more problems for those side roads, more congestion and safety issues in communities. These are all very impactful.

So making certain that the trust fund moneys go back into the modes that they are intended to is really critical.

Mr. PAYNE. OK. Thank you.

Mr. Lewis.

Mr. LEWIS. I would also add that, you know, we were talking about the transportation system. All these modes need to interconnect, and they all have value. Transit is very important in many of the rural areas of Colorado as well. It is not just the urban areas. So I think we need to recognize that we have a users of a transportation system, and there are different modes that make sense in different locations.

Mr. PAYNE. OK.

Ma'am? OK.

Well, thank you for the answers that you have given.

And, Mr. Chairman, I will yield back.

Mr. GRAVES OF MISSOURI. Mr. Faso.

Mr. FASO. Thank you, Mr. Chairman.

I want to thank the panel for your testimony today. It feels like we are all preaching to the same choir; the question is whether anyone is hearing it.

Mr. Spear, your Build America Fund recommended a 20-cent per gallon fee phased in over a 5-year period—a 4-year period collected at the terminal rack. Could you further explain how you envision that proposal and what its advantages would be over a pure gas tax increase?

Mr. SPEAR. Certainly. Yes, it does move it a couple steps up from where it is currently done at the pump. This came from an idea from Kenan Advantage, one of our members. They are the largest mover of fuel in North America. And the rack basically consists of three things. The wholesale rack is ports, terminals, or pipelines. That is where tank trucks go to get their fuel before they go to the filling station to where we fuel up. It is already taxed at the rack. There is only 170 owners of the rack. It is the most narrow chokepoint in the supply chain, and they are already paying it. So putting it there basically bakes the fee into the price of fuel.

Mr. FASO. So are these all fossil fuels?

Mr. SPEAR. Yes.

Mr. FASO. So we would be talking about natural gas as well?

Mr. SPEAR. Yes.

Mr. FASO. And propane?

Mr. SPEAR. Yes.

Mr. FASO. And obviously, if that were the case, that would get at one of the core issues that folks are raising here about electric vehicles, the electricity has to come from somewhere. I know a lot of people think electricity comes from the switch on the wall, but ultimately—yes, Mr. Lewis, it doesn't. But ultimately, those electric vehicles are powered by a central fuel source.

Now, maybe battery technology and distributed generation in the future, that would be a different equation, but you are suggesting something that would, in essence, be a centralized collection point, 170 places? I am hard-pressed to think that is——

Mr. SPEAR. 170 owners.

Mr. FASO. Owners. And so how would this also affect electric generation, natural gas, et cetera?

Mr. SPEAR. Well, it is something more broadly that we would need to look at. As I said earlier, you are not seeing a widespread use of alternative-fueled vehicles yet. You will in, certainly, 10, 15 years. We are looking at it through the lens of the next 10 years, and we believe this is the best proposal to raise immediate money, but we would look at alternative funding solutions for capturing alternative use vehicles as well, certainly.

Mr. FASO. Do any of the other members of the panel have a thought about this particular proposal that has been raised by Mr. Spear and his association?

Mr. Mortimer?

Mr. MORTIMER. Sure. I think it is something worth exploring. We haven't dived into it as much as ATA did. But again, I think our view is as long as it is transparent to the taxpayer, we know where the revenues are being collected, we know where they are going. I think the business community is willing to be supportive of those——

Mr. FASO. So how would it actually be transparent to the taxpayer, since the cost of this will be built into the price of the fuel or the electric product, correct?

Mr. SPEAR. I think the assurance that you all want to make for people paying into this is that the money is actually going to go back into roads and bridges. That is the guarantee they are looking for here. We are more than welcome and happy to pay for an increase in the user fee, so long as it goes back into roads and bridges.

The nice thing about the rack is that it bakes it into the price of fuel. Most people that fuel up at the pump aren't even going to notice 5 cents. It goes up and down that much, as we said earlier, you know, just on our commute in. So, you know, that is the best place we believe to bake it into the price of fuel and get $340 billion of new revenue over the next 10 years.

Mr. FASO. Any other members of the panel want to weigh in on this point?

Mr. LEWIS. I just have an anecdotal comment. We did some focus group work in Colorado recently, and a surprisingly large number of the folks that we interviewed didn't even know there was a gas tax.

Mr. FASO. Interesting.

Mr. Schroer?

Mr. SCHROER. As a department, we are not really that concerned about actually where it is collected. I do think that, you know, the closest it gets to the wholesale place, the more apt you are to have a better efficiency in the collection, and that is important.

I will have to say that we have to look at the other alternative sources as a point of revenue. We did that in Tennessee in our bill. We looked at other—we taxed electric vehicles and other forms of energy as part of that bill, and I think that is something that we have to look at as we go forward.

Mr. FASO. Mr. Chairman, thank you. My time is up.

Mr. GRAVES OF MISSOURI. Mr. Larsen.

Mr. LARSEN. Thank you, Mr. Chairman. And I want to thank the subcommittee for letting me sit in as well today. I will return the favor if anyone wants to sit on the Aviation Subcommittee.

VOICE. It was close to an objection.

Mr. LARSEN. Mr. Spear, back to the wholesale versus retail. I had a question that was asked already, so I appreciate how that would be structured, but how do you—if you charge at the rack, how do you ensure that that unit of propane is going to be used for a vehicle as opposed to being used for nonvehicle use?

Mr. SPEAR. Oh, I think that is where you would look to legislation for that and how the Highway Trust Fund is currently administered to ensure that there is no diversion between the relationship of Federal and State administration of the trust fund, that those funds actually go to their intended purpose and not diverted.

Mr. LARSEN. Well, I understand the intended purpose would be for transportation, and I fully support that, but I am saying, not all propane, I guess, that would be delivered would necessarily be used for a transportation purpose; it would be a legitimate purpose, but not transportation.

Mr. SPEAR. That is true. More broadly, transportation logistics, perhaps. We look at the rack as the solution for diesel and petrol for roads and bridges, and that is the lion's share of the $340 billion over 10 years that we are talking about.

Mr. LARSEN. Yes, OK. With regards to electric, since we pay retail, pay at the pump for gas and gas tax, has anyone looked at the possibility of developing the same kind of notion for electric? That is, when I plug in my electric vehicle, every electron that goes in, there is a little tariff on it that ends up transferred to the Highway Trust Fund?

Mr. LEWIS. California, I believe, is currently undertaking a pilot that does exactly that.

Mr. LARSEN. Can you not use California as an example?

Mr. LEWIS. I do apologize for that, but it came to my mind. But they are doing that to study the collection of a fee at the charging stations for the miles used for that vehicle.

Mr. LARSEN. OK. So kind of like the gas tax at the pump. So it is collected then, then transferred to the trust fund.

And then back to the bigger question about the gas tax and the elasticity of it. We keep going back to it and, speaking of kicking the can down the road, we ought to charge people for saying that and that would fund the Highway Trust Fund. I bring that up because the Transportation Revenue Commission from 2005 or 2007, recommended moving towards a vehicle miles traveled, and that is either 10 or 12 years since that came out, and we are still piloting RUCs throughout the States. We are not moving quickly on this and not moving quickly enough to determine if it is a viable, legitimate supplement or complement to the Highway Trust Fund.

I am a little more with Mr. Spear and Mr. Mortimer on are we ever going to get to it. You know, it is another 10 to 12 years down the road maybe, but not at the rate we are going. Is there a way to get to a decision faster on the use of RUCs?

Mr. LEWIS. Yes. I think if there is more success and that you have got the 14 Western States——

Mr. LARSEN. Yes, Washington is one of them.

Mr. LEWIS. Then Washington is one of them, it is combining—we are learning from those experiences. We are learning from the good and the bad of how these are unfolding. You know, if we think that that is 10 years away, if we look back 25 years, the last time the fuel tax was increased, maybe 10 years isn't so long, you know. So I think—and there is probably a role that USDOT can play in they are already playing in helping us fund some of these pilot programs. There are probably some interoperability studies that can be done. You know, there is an I–95 work and there is a Western States work. How do we tie the two together?

So I think there is more that can be done if we look into the future and look at those curves and how quickly is the fuel efficiency going to go up and how quickly are the electric vehicles going to get into the system. On that curve, we can plan out a transition time, I think, but we need to take action.

Mr. LARSEN. Yes. OK.

And, Ms. Lee, do we have a workforce that can—do we have the numbers in the workforce to do this?

Ms. LEE. Yes, we absolutely do. You know, first of all, there are a lot of trained workers who are out of work or have dropped out of the labor force, but I think, you know, the labor market continues to be weak, even 9 years after the economic recovery. And so I think this is exactly the kind of boost that we need in terms of labor market participation and creating good jobs that would be spread all over the country. So it is a huge advantage, and also we can pair it and we should pair it with training, you know, with good training and apprenticeship programs that make sure that they are incorporating underserved populations and others that haven't been part of that.

So I think this can be a tool for equity in the labor market, and it would be an excellent one that is both good macroeconomically and also good for local labor markets.

Mr. LARSEN. Thank you. And I just would note finally, Mr. Mortimer's testimony, your rewritten testimony, that getting rid of workers, moving them out of the U.S. workforce by not extending DACA [Deferred Action for Childhood Arrivals] or doing what we are doing with the TPS [Temporary Protected Status] folks, you are moving workers out of the U.S. labor force is not a good idea.

So thank you, Mr. Chairman. I yield back.

Mr. GRAVES OF MISSOURI. Mr. Perry?

Mr. PERRY. Thank you, Mr. Chairman. Thank you, ladies and gentlemen for being here. We are all concerned about the vitality of the Highway Trust Fund and maintaining that. With that, I am concerned because the gas tax, of course, being bantered about as one of the most regressive taxes especially for low-income individuals who spend more of a proportion on their income on gasoline than other folks and, of course, it follows the supply chain as every retailer and everybody in business as the additional cost of the gasoline and transportation into their product and everybody pays that as well. And having just passed the American Tax Cuts and Jobs Act, I am a little remiss that we would immediately think about taking that away through an increased gas tax without something to offset it on the other side. And we all know we need a revenue source, but I am not sure that that wholly gets to the issue. And I think you would acknowledge that there are other vehicles that are on the highways that aren't paying through the gas tax, and even just increasing it fails to capture the revenue from those that are using it, even though it is, I would agree, a user fee.

Mr. Mortimer, in particular, the U.S. Chamber of Commerce has endorsed a 25-cent increase of the Federal gas tax, which is the largest increase in the history of the tax. Do you know how much it will cost the average consumer, the household, annually, additionally?

Mr. MORTIMER. Sure, Congressman, thanks for the question. Yes. So it is 25 cents, it would be 5 years over a 5-year period.

Mr. PERRY. Right.

Mr. MORTIMER. And under our estimates, it is $9 a month. So we are talking about $104 a year. And Mr. Spear talked about the $1,500 that Americans of all economic levels are losing because of inadequate road conditions and sitting in congestion. So we just did the math and said, look, this is something that, while it may be regressive in one sense of collection, the benefits outweigh the regressive nature of collecting the fee. Infrastructure is an asset that we all benefit over many years, so the regression upfront is more than paid for when the reality is we get modern infrastructure and people's mobility improves.

Mr. PERRY. And certainly, coming from Pennsylvania, we have got a lot of old infrastructure, a lot of roads, and I am on this committee because I want to be, and I believe it is constitutional that the Federal Government is involved. But I struggle with this, and my figures are a little different. I come up with $285 a year per household additional on gas, which maybe it is not to some people certainly in this town, but it is a lot to a lot of people in the district that I represent and hope to continue to represent.

Let me just ask you this. You know, I think that most people acknowledge that they benefit from a robust infrastructure regardless of how much they use it and they are willing to pay for it, but they want it be as efficient as it can be. And I would say, even with the increases, if we can show something on the other side of the ledger which would be much more palatable to people if you said to them, look, we are going to take more of your pay at the pump or at the— you know, if it is electric vehicles or what have you, but we are also going to reduce the cost or increase our efficiency.

There are a couple laws in particular that I am interested in the national chamber's position on. Of course, the prevailing wage law hasn't been changed since 1935. The threshold is $2,000 since 1935, and my estimates, that the average wage is 22 percent higher than the actual market rate. So it is not really prevailing if that is the case, and people can dispute that, but I think it is hard to, at least at some point, not acknowledge that it is higher than the market rate and that labor costs are about 50 percent of construction costs. And with that, the requirement tends to inflate the costs by anywhere from 7 percent, I think legitimately, to about almost 10 percent.

That one and project labor agreements where the agreement is we will complete the job on time and not strike and, you know, for the cost that we estimated, and to me that is a simple contractual agreement. I agree to pay you this, you agree to do this work. I don't expect you to not get it done on time and I don't expect you with—you know, without unforeseen eventualities to run over costs.

Where does the United States Chamber of Commerce stand on those two issues, understanding that we do recognize the need to fund the Highway Trust Fund with some measure, but there is another side of the ledger that needs to be dealt with and modernized as well?

Mr. MORTIMER. Right. Good questions. Look, I mean, I think— so I spent 10 years with an engineering firm, so I am very familiar with how Davis-Bacon works. The bottom line is most engineering firms will tell you around the country if you are not paying the prevailing wage, you are probably not going to get the type of workforce to do the work that you need to get done. So whether the Congress decides to change the law or not, engineering firms are probably going to be paying that cost. That is my experience in my 10 years there.

The U.S. Chamber of Commerce, we are in a coalition with organized labor, and we made an agreement that on infrastructure issues, we were not going to talk about any changes to the Davis-Bacon law or to project labor agreements, on infrastructure. Other parts of the economy we can have that discussion, but we thought it was more important to bring organized labor together to try to get a broad constituent of folks push this infrastructure issue, and so we had to make the decision that, for the immediate time being, in an infrastructure world, that we don't see the need and we don't see the interest in Congress right now to have an adjustment in Davis-Bacon. If that discussion happens, maybe the national chamber will relook at that, but that discussion is not going on in the debate, and we feel we have a great relationship with organized labor, and part of that is because we agreed not to talk about and not get involved in those issues.

Mr. PERRY. Appreciate your response.

Thank you, Mr. Chairman. I yield back.

Mr. GRAVES OF MISSOURI. Mr. Lowenthal.

Dr. LOWENTHAL. Thank you, Mr. Chairman and Ranking Member Norton, for holding this important conversation. I want to applaud members on both sides of the aisle who have demonstrated our bipartisan commitment on this committee to trying to fix the Highway Trust Fund and to discuss some of the issues around that and put our country on a sustainable path towards infrastructure investment.

My first question is for Mr. Schroer. I want to thank you for your testimony. I was in another committee hearing earlier, but I read the written testimony and for AASHTO's continued work to highlight our needs for infrastructure investment across the country. I appreciate that AASHTO continues to include a freight bill user fee in its matrix of revenue options highlighted in exhibit 2 of your written testimony.

As you may know, I have also introduced a bipartisan legislation that would implement this sustainable freight user fee to finance a freight trust fund. The DOT estimates that my plan would send over $100 million a year just in formula funding to freight priorities in Tennessee. What do you think you and your colleagues across the country could do with these kinds of resources to improve goods movement?

Mr. SCHROER. Well, in Tennessee, no question. As I mentioned earlier, we have nine interstates that travel throughout our State and heavy truck traffic, and we are concerned about being able to fund those and add capacity on those roads for the increased freight movement. And it does—we worry about safety of passenger vehicles and an increased movement of those and throughout our State. So money that can be used for freight movement is critical. We actually have hired several people in our department to only look at freight movement and projects that we can do that will enhance the movement of freight throughout our State. So it is a critical piece for Tennessee and across this country.

Dr. LOWENTHAL. Talking about a dedicated freight revenue stream user fee, Mr. Lewis, what about in Colorado, could you use the money?

Mr. LEWIS. Oh, absolutely, Congressman. I think, you know, we established something called a Freight Advisory Committee about 18 months ago that brought in our partners in the trucking industry, shipping companies, the rail industry, to talk about what are those priorities. I mean, just think of the geography of Colorado. The Continental Divide that separates the Front Range from the western slope, the whole western two-thirds of the State, all fuel, motor fuel, heating oil, aviation fuel to get to the western slope has to cross over the Continental Divide at a pass at 12,000 feet. Has to go, rain or snow, and that is the path that we access the whole western part of the State.

We are just not able to grow the economy unless we are able to do something about that weak link in the transportation system, and that is true throughout the State. So dedicated freight revenues are critically important to the economic growth of the State.

Dr. LOWENTHAL. Mr. Spear, I appreciate your comments in your written testimony about a freight weigh bill fee and the creation of a multimodal freight program. You know, I understand the concerns of the trucking industry about the collection of this fee, the potential for evasion or diversion, and the use of revenues collected by the trucking industry for other transportation modes. I understand those kinds of concerns. I personally believe we can overcome these issues by working with you and the ATA and other stakeholders that actually support this proposal to craft a final proposal that addresses these concerns that you have raised. Would you be willing to work with us on that?

Mr. SPEAR. It is a much better alternative than litigation. So yes.

Dr. LOWENTHAL. Also, it is sustainable, what we are talking about, and doesn't have the issues of the highway transit fund, which is not a sustainable funding trust fund.

Mr. SPEAR. Well, it could be. It could be. That is up to you. We are here to help you. We are certainly united in helping you get that done. But I do feel that the provisions that you put into the FAST Act, on having freight plans, more oversight, not to the States, but of the DOT, reviewing those freight plans. As I said in my testimony, my opening statement, we lose, as an industry, $63.4 billion a year sitting in congestion. For passenger vehicles, that exceeds $100 billion. These are measurable numbers.

Dr. LOWENTHAL. Right.

Mr. SPEAR. And so having good freight flow, good freight plans are the starting point. You saw that in the FAST Act. Now we need to really keep the feet to the fire and make certain these plans are implemented and funded.

Dr. LOWENTHAL. And I agree with you. I concur with you. And as I yield back, I think we should follow the money again here too. We have to have a sustainable funding stream.

And so, with that, I yield back.

Mr. GRAVES OF MISSOURI. Mr. Smucker.

Mr. SMUCKER. Thank you, Mr. Chairman. I would like to thank the chairman for scheduling this hearing on this very, very important topic, and it should be an important priority for us.

I was part of the legislature in Pennsylvania when we recently passed the wholesale gas tax. Mr. Spear, just a quick question first. You talk about the fee at the terminal rack. Is that similar to the wholesale gas tax?

Mr. SPEAR. Very much, yes.

Mr. SMUCKER. And then, Mr. Spear, I would like to—you used the term "gotta vote," and I sense the frustration in your voice. It has been a long time since we have addressed this. I would like to just explore that a little and talk about what happened in Pennsylvania. But if we had to vote today, what do you think the vote count would be?

Mr. SPEAR. I would say, right now, we would probably have some work to do. But that is where, you know, having hearings like this, having this kind of dialogue, having the bipartisanship, having this panel, which is very diverse, by the way. There are not a lot of issues that we all agree on. This is one of them.

Mr. SMUCKER. Right.

Mr. SPEAR. And so in terms of policy and bills, you guys know how to write a highway bill. It is getting the votes for the funding, and we are prepared to really work that hard.

Mr. SMUCKER. Well, I appreciate that. And I agree with your sentiment. This is something that needs to be done, but we also need to have the support to get it done.

Mr. SPEAR. Correct.

Mr. SMUCKER. And so I guess what I am asking you is this: One of the really important components—there are, I guess, two things that I could mention that were really, really important in Pennsylvania. And it was passed in Pennsylvania, not unlike a lot of other States now, that we have all talked about a lot of States that have done the same thing. And by the way, in Pennsylvania, it was Republican control, Republican Governor, Republican both Houses. And it was a time when we were trying to drive more fiscal responsibility, cutting areas of Government. We had folks who said they absolutely wouldn't vote to raise taxes, but were able to—you know, people came to understand that this really is a user fee on a very important core function of Government. You can maybe cut in other areas, but this is a core function of Government that affects our economy, affects the consumers. And you have already talked about some of that.

But what was very critical was the leadership at the top, and we happen to have a secretary who was absolutely outstanding in driving the discussion. And I think we have that in the President today, a President who really is focused on infrastructure. And then it was building the public support. And this is where I would like to—you know, at the end of the day, we are legislators, we are here to represent the views of our constituents. And we have a lot of constituents—I am from a conservative district. I have a lot of folks who don't want to raise taxes. They don't want more dollars going to the Government. They want dollars in their own pocket. And so that is a very important sentiment that we have to recognize.

So my question to you is, who is reminding the people of the cost of having infrastructure that is not working? Cost in congestion, cost in—you know, if your car hits a pothole, that is going to cost you $100 just to fix that, and the cost in—you see it in the trucking industry, the cost added to every single product because of additional freight costs. If your trucks are sitting, I don't know how many—the number you said, but are sitting in congestion, 360,000 drivers or something like that. I mean, that adds to the cost.

But what we saw in Pennsylvania was, you know, proponents, all the stakeholders really had sort of a strong engagement in reminding the public of the need and of the cost if we didn't do anything. I am not seeing that yet here. So I would like to ask you what you are doing now, and maybe for Mr. Mortimer as well. What are you doing now? What do you intend to do to help build the public support for this and to gain the support here within the legislature?

Mr. SPEAR. Well, I think for starters, I said at the outset, the President's ability to amplify this issue is absolutely essential. He has done that, and I think we are seeing the benefit. Having this debate, we are having it because he made it a priority, a front burner issue.

He does need to go further. We need to really down-select what the funding solutions are going to look like, but we also need to shape the narrative. We have a coalition. It exists. We have been very aggressive, not only working Capitol Hill and with States and other stakeholders, to really capture the narrative.

And how we explain this really does need to center on the cost of doing nothing. People out there are paying $1,500 a year, $1,000 spent wasted in fuel sitting in traffic, the other $500 spent on repairing their vehicles. That number comes down exponentially. And we are only talking about them paying in about $110 more a year in fuel prices, OK. So they get better roads and bridges everywhere in the United States. That $1,500, there is your offset. Our industry, $63 billion sitting in traffic. That number comes down.

So these are very measurable, they are real, real dollars, and I think we have a solution that really can tell that narrative to people and it will resonate. If they know the money is going back into roads and bridges, they are willing to pay for it. We have seen polling that has evidenced that.

So we obviously have work to do. We need to shape this landscape up here, need to help you get the votes. We are ready to do that. We think the votes are there.

Mr. SMUCKER. I know I am out of time, Mr. Chairman. Just one quick followup to that. I agree, and I think we have homework to do. This is something we need to continue to push. But I think the role that you all can play in this is absolutely critical. You have described it very well. And from my perspective and from what we saw in Pennsylvania, I think we can't do it without that kind of engagement from all of you and other stakeholders in the process.

Mr. GRAVES OF MISSOURI. Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chairman. And thank you to the panel for all your testimony.

And we all agree, and you apparently agree with us. We need more money for transportation infrastructure.

Mr. Spear and Mr. Mortimer, the businesses you represent depend on reliable, congestion-free roadways and infrastructure to spur economic productivity. My State of California recently passed a major, major bipartisan transportation bill with two-thirds vote of our legislature, known as SB–1, and provides $54 billion in infrastructure investment over the next decade. SB–1 is paid for with a 12-percent gas tax increase and increased fees on energy-efficient cars, since they are not currently paying their fair share of use of the highway.

Do you support the California infrastructure package, SB–1? Because there is an effort to repeal the package. And will you be opposed to such an effort?

Mr. SPEAR. Taking a State-by-State approach is very, very difficult for an industry like ours that is interstate commerce. The platform that we would propose is very much a Federal one, because we move State to State. We are in and out of California all the time.

California does have the luxury of raising the kind of revenue needed. Whether we agree with it or not is irrelevant, actually, but you do have that ability. Most States don't. In fact, over half the States in the United States do not have the ability to raise that kind of cash, certainly not the ability to administer it.

There is a Federal role. We don't believe in devolution. We think there is a constitutional responsibility of this body, this legislative branch, to fulfill when it comes to interstate commerce. So we would look at working with State to State by having a strong federally funded program and administrative capability to ensure that all States have the ability to do it, not just California.

Mrs. NAPOLITANO. Thank you.

Mr. Mortimer.

Mr. MORTIMER. Yes, Congresswoman. So the U.S. Chamber of Commerce, again, like Chris, we are very focused on the Federal and the interstate connection there and the interstate commerce. That being said, I believe that the California chamber and others have been very opposed to any effort to repeal that, because my understanding is the California business community was the one that helped enact that. So I will let them speak for themselves.

But, again, from our perspective, we are trying to get into a situation where we need to modernize our infrastructure. It is going to take all the stakeholders, both Federal, State and local, to bring more resources to the table. And so we need to have that discussion and we need to really think through these things.

Mrs. NAPOLITANO. We addressed that. California took care of that.

Mr. Schroer and Mr. Lewis, the Trump administration's plan calls for more State investment, but prohibits State governments from setting local hire preferences on infrastructure projects. Most taxpayers believe that when they are paying for a public transportation project, they should be given a preference on jobs associated with the project.

As representatives of Tennessee and Colorado DOTs, do you believe you and other State DOTs should be allowed to set local hire preferences for your citizens that are paying for the vast majority of the State projects?

Mr. SCHROER. Do you want to take that one? I will be glad to answer it. Go ahead.

Mr. LEWIS. Thank you, Congresswoman. I think that there is a balance. We have a major project in Colorado right now on Interstate 70. It is a $1.2 billion renovation of Interstate 70 between Denver International Airport and downtown. We were able to work with the USDOT and the Federal Highway Administration on a pilot program that allowed a percentage of local hire.

It was very important to the community that—we were a disadvantaged community that this project is going through—that we have a training program and a hire program within that affected community. And it was very effective in getting support from the community on moving the project forward.

But I do think that there—so I support that. I think we need to be careful not to become islands, because it is the United States of America.

Mrs. NAPOLITANO. Right.

Mr. SCHROER. In Tennessee, we have not pursued that option. I will say that we have a lot of work going on. We actually have almost full employment in the State of Tennessee, which makes a big difference, and also then makes it sometimes difficult to man the projects that we are doing. We do entertain quotes from outside of the State contractors, and they bid as they would normally. And we are a low-bid State, so we look at that.

But I think it is important to know that the cost to bring in people from other States to do work is part of the process, and our local contractors and workforce actually have a competitive price advantage because they are just that local.

Mrs. NAPOLITANO. Well, Mr. Chair, I have run out of time, but I had another question. May I go on?

This is for Mr. Schroer and Ms. Lee. In addition to California passing the $54 billion infrastructure package, the county of L.A. has recently passed two transportation measures—this is the county—to provide $120 billion in infrastructure over the next 40 years. The voters approved it by 70 percent. The most recent infrastructure sales tax implemented was last year.

I am concerned that the administration's infrastructure plan significantly penalizes State and local governments that raised revenues prior to 2018. Not only do States and locals that recently passed this infrastructure package score poorly when rated by the plan, the administration limits the projects to qualify for only 5 percent or $5 billion out of the $800 billion for new incentive projects.

Well, we share the concern, and I am sure you would too, that the States have done the right thing, and yet they are being penalized and should be rewarded instead.

Ms. LEE. Yes. It seems like it is counterproductive to penalize the States that have been able to find the funding and be able to move forward and actually make those investments in infrastructure. So it seems like this is one of those situations where there is no need for the Federal Government to weigh in against those States that have been able to find that funding.

Mrs. NAPOLITANO. Thank you.

Mr. SCHROER. So Tennessee is one of those States that have passed new revenue. We did it last year. There are 31 States that have done that. AASHTO for sure believes that we have to be given credit for that. I know the President's package supposedly has a clawback provision where credit is given for States that have passed laws to increase revenue for the last several-year period. We haven't yet seen the formula. We hope that that is part of the President's package, if that were to pass, so that we get credit for what we have done.

Mrs. NAPOLITANO. Thank you, sir.

Thank you, Mr. Chair.

Mr. GRAVES OF MISSOURI. Mr. LaMalfa.

Mr. LAMALFA. Thank you, Mr. Chairman.

Being a fellow Californian too, I hate to have to speak against my dear colleague there, a very gracious lady, but on this gas tax that was foisted upon California taxpayers, road users, indeed, it really wasn't bipartisan when only one State senator and zero members of the assembly Republicans voted for the measure, and that we know already 30 percent off the top of it is going to go for things besides the highways. None of it will add any extra capacity or any extra lanes.

So, as the national chamber fellow pointed out, the folks that were from business that were in favor of it were those that are getting the project work and labor as well. That is why the voters are going to have a chance, hopefully, to speak on it and have a chance to speak on these increased taxes as well, because, you know, if we are talking—if that has already happened at the State level and now the Federal level wants to double-whammy them with additional gas tax, this affects real people out there. You know, if it is going to be $300 to $500 per household and then another round at the Federal level, real people pay for this.

So what never gets talked about much around here is how do we decrease the cost of building a mile of highway or repairing a bridge; you know, even our President is talking about that. Why does it take so many years to study, permit, and all that? So that is where the frustration lies. And when people—you know, when people pay at the pump, they believe those dollars are going to their highways, yet we know the highway transit fund is being used for much urban transit, for trains, for buses, things that don't pay back into it.

So since the trust fund is paying out into several different types of things that are nongas transportation and many people use these methods, what are ways—and I will throw this to Mr. Schroer or Mr. Lewis—we can actually increase the share that these other users—you know, we talked about electric cars a little bit, OK. Well, California's new law doesn't even kick in until I think 2020, and it is only $100 per electric car to pay into that system. So they are really not paying any kind of fair share. It seems to be the focus, to me.

But I would like to hear from you, is a much heavier load by the electric cars that are going to be coming more and more into play, it seems, especially with the legislature trying to ban fossil fuel vehicles by 2040 in California, or we should quit directing money to those that are not paying it in the mass transit. They should be finding other ways to tax that in order to pay their fair share, instead of a so-called highway fund not going for highway dollars. Please, Mr. Schroer or Mr. Lewis.

Mr. SCHROER. Well, I agree that we should look at—we think that everybody who uses the roads ought to pay for their fair share. And I think the State of Tennessee has done that in their bill. I do think the issue of vehicle miles traveled is one of those issues that we are going to have to look at as more and more cars become electric or other sources of fuel. It is a progression, as we have talked about today.

I will say on the transit side, I understand there are lots of concerns with regard to transit, but I also will tell you that if you use transit, you take cars off the highway. And when you take cars off the highway, there is less wear and tear on those roads. And there is an inconvenience to riding transit, much different than having a personal automobile. So there is a personal inconvenience that people use——

Mr. LAMALFA. Well, that completely ignores the rural part of the country here where there is no transit between Richvale, California, and Montague, California.

Mr. SCHROER. So in Tennessee, Congressman, we fund transit in all 95 counties. And so it is an integral part of our rural areas to get people to the doctors and hospitals that don't have opportunity to transit. So we use that money. Almost all that money is Federal dollars, comes from FTA, and we put it to good use, and people in our rural counties use it a lot.

Mr. LEWIS. Congressman, I would support everything my colleague has said. I think, you know, Colorado is sort of a microcosm of the rest of the country, very dense urban areas, lots of congestion, but vast parts of the State are open. And our State transit system is critical to servicing those rural parts of the State, making a connection to the Denver metro area for hospital and other services. So it is an integrated system, one that is growing in Colorado. And as Mr. Schroer said——

Mr. LAMALFA. Let me touch on Colorado a little bit. How have you handled the out-of-State drivers and the drivers that are using off-road, private roads, farming, you know, timber areas? How has Colorado handled that with its VMT pilot? You know, again, out-of-State people aren't going to—how do you deal with that?

Mr. LEWIS. Well, again, this was a very small pilot program that we did over the course of the last year. And we gave users an option to whether to use a GPS way of measuring their mileage or just strictly by the odometer. With an odometer reading, you don't know where you are driving. You don't know what kind of road you are on.

Mr. LAMALFA. For out-of-staters, though?

Mr. LEWIS. There were no out-of-staters in the system, but if you were driving out of the State—and no money was collected, this was just a pilot. So if a vehicle was driving in Kansas with just an odometer reading, you would be paying for the mileage you used in Kansas; whereas, with a GPS, it would know you are at the border and you would not be charged for that use of the Kansas roadways. You would only be charged for the use of the Colorado roadways.

Mr. LAMALFA. So you have a bureaucratic nightmare for the offroaders or people traveling out of State or you have a privacy concern—I think Mr. Spear made a mention—on GPS following you around where you are going, right?

Mr. LEWIS. I think the concern about privacy, that is something that has been a longstanding concern. It was a concern in Oregon when this was first proposed and implemented. The people that used in the pilot—and we specifically went to folks that were not in favor of a usage tax, a road usage charge. They found it very convenient and that their privacy concerns were largely overcome. I think all of us——

Mr. LAMALFA. Really?

Mr. LEWIS. It was. They were.

Mr. LAMALFA. How did you do that, beat them over the head or what?

Mr. LEWIS. No. I think they felt confident that their personal data was protected and that they were not——

Mr. LAMALFA. By this Government?

Mr. LEWIS. Yes.

Mr. LAMALFA. The people who can't keep your health records? I mean, that is funny. I am sorry. But it is an intrusion on that. And for the off-roaders, I just see that, you know, the easiest thing you do is pay at the pump, right? There are a couple different methods you are talking about paying.

All right. I am over time here, but I haven't gotten any closer to being a VMT advocate than I have—thank you, Mr. Chairman. I will yield back. Sorry.

Mr. GRAVES OF MISSOURI. Mrs. Lawrence.

Mrs. LAWRENCE. Thank you.

I must say this conversation is much, much needed. I can tell you my frustration is that we keep talking about it. It is amazing how we have consensus that we need to create policy and we need to find the funding, but we keep going in a circle.

To that end, Mr. Lewis, can you briefly describe the mileage-based fee system and discuss what challenges await in trying to implement such an alternative to gas tax? And if you could, while you are talking about that, discuss whether the gas tax should be eliminated if the mileage-based fee system is implemented.

Mr. LEWIS. Right. Thank you, Congresswoman. There are still a number of challenges. I think we have all testified today and many of the questions of the committee have centered around the existing system that we have today, which is collecting a user fee through the form of a gas tax. There is a very robust, more than a century-old system of collecting that user fee.

I think the challenge that we are facing is that in the not too distant future, and we can have debates about how far away that future is, the more that electric vehicles and other fuel vehicles are making up the fleet, we will not be collecting those user fees through the existing gas tax. It isn't going to happen tomorrow, but it will happen.

And I think what we have to do is work on a transition plan that as the fuel tax becomes less viable, that we already have in place a system to replace it. And it isn't going to be, you know, midnight on a particular year on December 31 that we switch from one to the other. I don't see that as being the way. I think there will be a transition, over the course of a number of years, in order to move off of the existing fuel. It doesn't change the need we have today, and the need we have today is very real and the existing system of revenue is what we have.

Mrs. LAWRENCE. I thank you for that, because I think we keep getting caught in what we can't do, what is not happening, what is not working, to actually start moving the needle down the road. Because cars that don't use fuel is a reality. I am from Detroit. It is coming. So I am very intrigued by that.

Mr. Spear, your testimony makes some strong arguments regarding the negative impacts of tolling. You cite that expansion of tolling is far more regressive than raising the existing user fee. Can you elaborate on the equity and the impacts of tolling?

Mr. SPEAR. Absolutely. And I appreciate the question. There is a lot of talk about public-private partnerships. When we speak about roads and bridges, that is really code for tolling.

Mrs. LAWRENCE. Yes, it is.

Mr. SPEAR. Tolling is only profitable if you have a lot of throughput, meaning a lot of people moving through there.

Mrs. LAWRENCE. Exactly.

Mr. SPEAR. That is only applicable—we could measure that very easily as a business model. You can see what is profitable and what is not. It is really only applicable on 1 percent of the roads and bridges in the United States. So for the rest of the country, the 99 percent, it is fake funding. It doesn't exist. So it might work in certain venues.

Mrs. LAWRENCE. You are preaching to the choir, but thank you.

Mr. SPEAR. Yeah. Now, it might work in other modes, but specific to roads and bridges, we believe that this is not a viable solution. And it is extraordinarily regressive, costs up to 35 cents on the dollar to collect.

Our Build America Fund, 20 cents over 4 years, $340 billion, less than 1 cent on the dollar to administer, is the most conservative, immediate, and efficient way to raise revenue, and it shores up the trust fund and it is deficit-neutral.

Mrs. LAWRENCE. Another question I wanted to add as kind of a comment, when we are looking at a comprehensive plan to fund an investment in our infrastructure, the toll and the private-public partnerships repeatedly come up.

If we can move something right now, today, the transition plan that you talked about, so that we are actually recouping funds for the roads, but also as we continue to change the way we fuel our vehicles, we have it. Is that something that you think that this body—and I am very impressed by your diversity. I was a mayor, so I look at how much it costs to build a road. I look at the condition, how many people are using it. And God help me, when the potholes, which they are there now, you get beat down to the ground because of the potholes.

So what is the one thing, if you could just give me that, that you think that we can attack right now that we can bring forward that you think would get the biggest consensus so that we can actually start moving in the right direction?

Mr. SCHROER. I will be happy to—I think we have to address the shortfall in the Highway Trust Fund first. I think that is what we have to do. I think that is our number one criteria today. We have got a recision that we are getting ready to face, it is a $8 billion recision that will affect Tennessee significantly and as to every other State. If we don't address that, then we are not going to get to the core issues that we have. And it allows States to put their money on projects that they feel are most important to them. I was a mayor as well; I understand that.

And it needs to be as close to the States—a decision on those projects needs to be as close to the State as possible. And that means it shouldn't be in the Federal Government's hands, it should be in the States' hands, working with local communities on projects that are most important to them.

Mrs. LAWRENCE. Mr. Lewis.

Mr. LEWIS. And I would think that as part of a—if there were a funding increase to go forward, I think tying to that would be some sort of transition plan. You know, a time-based study that would say, based on the saturation into the fleet, how quickly could we move to an alternative to the gas tax? Because until we put a plan together, it is always the future. It is always tomorrow. And it will be tomorrow tomorrow. So I think there is some sort of——

Mrs. LAWRENCE. I am willing to work with you all. Thank you so much.

I yield back.

Mr. GRAVES OF MISSOURI. If there aren't any further questions, I want to thank our witnesses for all being here. You all gave great testimony. Obviously, this is a very, very big problem that we are going to have to tackle. And I think you saw the bipartisanship that was displayed here in this committee, which we are very proud of on top of that, trying to find solutions.

With that, I would ask unanimous consent that the record of today's hearing remain open until such time as our witnesses have provided answers to any questions that may have been submitted to them in writing, and unanimous consent that the record remain open for 15 days for additional comments and information submitted by Members or witnesses to be included in today's hearing. Without objection, that is so ordered.

If no other Members have anything to add—and there aren't any—this subcommittee stands in adjournment.

[Whereupon, at 12:30 p.m., the subcommittee was adjourned.]

AMERICAN ASSOCIATION
OF STATE HIGHWAY AND
TRANSPORTATION OFFICIALS

AASHTO

TESTIMONY OF

John C. Schroer

President, American Association of State Highway and Transportation Officials;
Commissioner, Tennessee Department of Transportation

REGARDING

Building a 21st Century Infrastructure for America: Long-term Funding for Highway and Transit Programs

BEFORE THE

Subcommittee on Highways and Transit of the Committee on Transportation and Infrastructure of the United States House of Representatives

ON

March 7, 2018

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INTRODUCTION

Chairman Graves, Ranking Member Norton, and Members of the Subcommittee, thank you for the opportunity to provide the perspective of the nation's state departments of transportation (state DOTs) on building a 21st-century transportation infrastructure for America by ensuring long-term funding for federal highway and transit programs.

I was appointed as the 29th Commissioner of the Tennessee Department of Transportation (TDOT) by Governor Bill Haslam in January 2011, and I oversee a statewide transportation system including highways, rail, airports, waterways and transit.

During my tenure, TDOT has remained debt-free and has saved taxpayers more than $610 million dollars by reexamining and reducing the scope of projects we pursue from those we may want to those we actually need. In 2017, I worked with Governor Bill Haslam to develop and pass the IMPROVE Act to provide increased state funding for transportation, including raising the state gas tax for the first time in 28 years. The legislation will fund 962 road and bridge projects across all 95 counties and will provide an additional $105 million annually for cities and counties to support local infrastructure needs.

I'm also honored to serve as the 2017-2018 President of the American Association of State Highway and Transportation Officials (AASHTO), an organization composed of peers from all DOTs across the nation. In this role, I have prioritized sustainable transportation funding solutions—the subject of today's hearing—and ensuring states are prepared for emerging transportation technology.

My testimony today will emphasize the following five key points:

- The federal government should look to build upon substantial state and local investment in transportation;
- The future of the federal Highway Trust Fund (HTF) must be secured through a long-term and sustainable revenue solution;
- Well-documented surface transportation capital investment needs exist;
- Additional revenues are needed simply to support current investment levels, and;
- Direct program funding is absolutely critical relative to financing tools.

THE FEDERAL GOVERNMENT SHOULD LOOK TO BUILD UPON SUBSTANTIAL STATE AND LOCAL INVESTMENT IN TRANSPORTATION

I would like to first express appreciation to you on behalf of the state DOTs for your leadership, along with your Senate and House colleagues in partner committees, in shepherding the FAST Act in December 2015. The FAST Act represented the first comprehensive, long-term surface transportation legislation since the Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users Act in 2005.

The FAST Act continues to fulfill the Constitutional directive that investment in transportation is a core federal responsibility. The federal government, along with states, local governments and the private sector, is a key partner in working to address an ever-growing need for transportation investments resulting from a growing population and aging infrastructure assets. According to the US Department of Transportation's (USDOT) *2015 Conditions and Performance Report* to Congress, the highway and bridge capital and maintenance investment backlog reached $836 billion and the transit capital and maintenance investment backlog reached $122 billion. Similarly, the American Society of Civil Engineers has identified a $1.1 trillion funding gap for surface transportation between 2016 and 2025. Furthermore, the USDOT report notes that state and local governments already provide the majority of funding for highway, bridge and transit programs. Roughly 80 percent of the $217 billion invested in highway and bridge programs and 74 percent of $43 billion invested in transit programs comes from state and local governments—compared to 20 percent and 26 percent, respectively that is contributed by the federal government.

States are answering this call to action for increasing transportation investments, signified by successful enactment of transportation revenue packages in 31 states since 2012, including, as I mentioned, in my home state of Tennessee. In 2017, I worked with Governor Bill Haslam to develop and pass the Improving Manufacturing, Public Roads and Opportunities for a Vibrant Economy (IMPROVE) Act to provide increased funding for transportation for the first time in 30 years. The IMPROVE Act funds 962 road and bridge projects across all 95 Tennessee counties. The conservative, responsible, and user-based approach raises the gas tax by six cents and diesel tax by 10 cents, each over the next three years. It also increases the user fee for electric vehicle owners and allows local voters, through a referendum, in the state's largest counties and its four largest cities to impose a surcharge on taxes they already collect to be dedicated to transit projects.

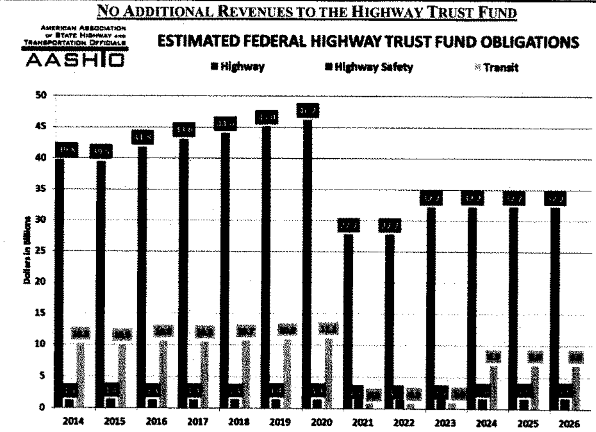
I mention this because AASHTO and its members vehemently disagree with any notion that federal transportation funding displaces or discourages state and local investment. In fact, as evidenced by significant transportation infrastructure investment needs, further strengthening and reaffirmation of the federally-assisted, state-implemented foundation of the national program is even more critical now than in the past. The best way for the federal government to lead is to augment substantial state and local transportation investment by ensuring long-term, sustainable federal funding from the Highway Trust Fund, and provide robust direct funding to address highway and transit system maintenance and capacity needs as part of the major infrastructure package currently under consideration.

FUTURE OF THE FEDERAL HIGHWAY TRUST FUND MUST BE SECURED THROUGH A LONG-TERM AND SUSTAINABLE REVENUE SOLUTION

The FAST Act's authorization of $305 billion for federal highway, highway safety, transit, and passenger rail programs from 2016 to 2020 could not have been timelier in supporting our economic growth and maintaining our multimodal transportation infrastructure. However, it should be recognized that the FAST Act provides only a near-term, though absolutely necessary, reprieve when it comes to federal surface transportation funding. That is because the HTF continues to remain at a crossroads. The HTF has provided stable, reliable, and substantial highway and transit funding for decades since its inception in 1956, but this is no longer the case. Since 2008, the HTF has been sustained through a series of General Fund transfers now amounting to $140 billion. According to the June 2017 projection of the Congressional Budget Office, annual HTF spending is estimated to exceed receipts by about $16 billion in FY 2021, growing to about $23 billion by FY 2027. Furthermore, the HTF is expected to experience a significant cash shortfall in FY 2021, since it cannot incur a negative balance.

Framing this HTF "cliff" in terms of federal highway obligations, AASHTO estimates that states may see a 40 percent drop from FY 2020 to the following year—from $46.2 billion to $27.7 billion in FY 2021. In the past, such similar shortfall situations have led to the possibility of a reduction in federal reimbursements to states on existing obligations, leading to serious cash flow problems for states and resulting in project delays. More alarmingly, due to a steeper projected shortfall in the Mass Transit Account, new federal transit obligations are expected to be zeroed out between FY 2021 and FY 2023, excluding any "flex" of highway dollars to transit. Simply put, this is a devastating scenario that we must do all we can to avoid.

EXHIBIT 1: ESTIMATED FEDERAL HIGHWAY AND TRANSIT OBLIGATIONS BEYOND FY 2020 WITH NO ADDITIONAL REVENUES TO THE HIGHWAY TRUST FUND



In Tennessee, like it will be for our peer states, user fee revenues supporting the HTF are projected to provide only about 60 percent of FAST Act funding levels in FY 2021. If post-FAST Act federal obligations are reduced to match only the receipts generated through the HTF user fees, Tennessee would see its federal dollars shrink by over $300 million annually, representing about 15 percent of our overall budget and 45 percent of our heavy construction program. A cut of this magnitude will eliminate our ability to make significant inroads in addressing congestion through capacity expansion, with the remaining dollars needed primarily for resurfacing and bridge rehabilitation. Tennessee would largely become a maintenance-only state with little resources remaining to support a growing economy and creating the conditions for a high quality of life.

While AASHTO is grateful for past efforts to provide General Fund transfers into the HTF, we do not believe that is a viable long-term solution upon expiration of the FAST Act. Given the national policy momentum and support for infrastructure investment, now may be that rare and opportune time to finally resolve the structural fiscal imbalance in the HTF.

In order to provide additional HTF receipts to maintain or increase current federal highway and transit investment levels, there is no shortage of technically feasible tax and user fee options that Congress could consider. Three broad categories of revenue for the HTF exist, along with illustrative examples:

- Raising the rate of taxation or fee rates of existing federal revenue streams into the HTF: Examples include motor fuel taxes on gasoline and diesel (including indexing), user fee on heavy vehicles, and sales tax on trucks, trailers, and truck tires.
- Identifying and creating new federal revenue sources for the HTF: Examples include a mileage-based user fee, container fee, driver's license surcharge, vehicle registration fee, imported oil fee, sales tax on fuel, carbon tax, vehicle sales tax, sales tax on auto-related components, and a tire tax on light-duty vehicles.
- Diverting current revenues (and possibly increasing the rates) from other federal sources into the HTF: Examples include customs duties, income taxes, and other revenues from the general fund.

Following is a matrix that demonstrates the breadth of potential HTF revenue mechanisms, including a column that shows an illustrative rate or percentage increase and the associated revenue yield estimated.

EXHIBIT 2: MATRIX OF ILLUSTRATIVE SURFACE TRANSPORTATION REVENUE OPTIONS

Existing Highway Trust Fund Revenue Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	$ in Billions Assumed 2014 Yield	Total Forecast Yield 2015–2020
Motor Fuel Tax—Diesel	15.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	$6.54	$41.79
Motor Fuel Tax—Gas	10.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	$13.21	$78.12
Heavy Vehicle Use Tax	50%	Increase in current revenues, structure not defined	$0.55	$3.42
Sales Tax—Trucks and Trailers	10%	Increase in current revenues, structure not defined	$0.33	$2.19
Tire Tax—Trucks	10%	Increase in current revenues, structure not defined	$0.04	$0.23
Potential Highway Trust Fund Revenue Mechanisms	**Illustrative Rate or Percentage Increase**	**Definition of Mechanism/Increase**	**Assumed 2014 Yield***	**Total Escalated Yield 2015–2020***
Container Tax	$15.00	Dollar per TEU	$0.66	$4.26
Customs Revenues	5.0%	Increase in/reallocation of current revenues, structure not defined	$1.80	$11.66
Drivers License Surcharge	$5.00	Dollar annually	$1.08	$6.98
Freight Bill—Truck Only	0.5%	Percent of gross freight revenues (primary shipments only)	$3.07	$19.90
Freight Bill—All Modes	0.5%	Percent of gross freight revenues (primary shipments only)	$3.80	$24.60
Freight Charge—Ton (Truck Only)	10.0¢	¢/ton of domestic shipments	$1.17	$7.54
Freight Charge—Ton (All Modes)	10.0¢	¢/ton of domestic shipments	$1.44	$9.29
Freight Charge—Ton-Mile (Truck Only)	0.10¢	¢/ton–mile of domestic shipments	$1.41	$9.15
Freight Charge—Ton-Mile (All Modes)	0.10¢	¢/ton–mile of domestic shipments	$3.48	$22.52
Harbor Maintenance Tax	25.0%	Increase in/reallocation of current revenues, structure not defined	$0.43	$2.79
Imported Oil Tax	$2.50	Dollar/barrel	$5.76	$37.28
Income Tax—Business	1.0%	Increase in/reallocation of current revenues, structure not defined	$2.79	$18.06
Income Tax—Personal	0.5%	Increase in/reallocation of current revenues, structure not defined	$6.70	$43.36
Motor Fuel Tax Indexing to CPI—Diesel	–	¢/gal excise tax	–	$5.22
Motor Fuel Tax Indexing to CPI—Gas	–	¢/gal excise tax	–	$10.87
Oil, Gas, and Minerals Receipts	25.0%	Increase in/reallocation of current revenues, structure not defined	$2.20	$14.25
Registration Fee—Electric LDVs	$100.00	Dollar annually	$0.01	$0.06
Registration Fee—Hybrid LDVs	$50.00	Dollar annually	$0.17	$1.12
Registration Fee—Light Duty Vehicles	$15.00	Dollar annually	$3.57	$23.11
Registration Fee—Trucks	$150.00	Dollar annually	$1.63	$10.54
Registration Fee—All vehicles	$20.00	Dollar annually	$4.98	$32.21
Sales Tax—Auto-related Parts & Services	1.0%	Percent of sales	$2.32	$15.04
Sales Tax—Bicycles	1.0%	Percent of sales	$0.06	$0.38
Sales Tax—Diesel	7.6%	Percent of sales (excl. excise taxes)	$9.65	$62.50
Sales Tax—Gas	5.6%	Percent of sales (excl. excise taxes)	$24.05	$155.66
Sales Tax—New Light Duty Vehicles	1.0%	Percent of sales	$2.41	$15.61
Sales Tax—New and Used Light Duty Vehicles	1.0%	Percent of sales	$3.46	$22.40
Tire Tax—Bicycles	$2.50	Dollar per bicycle tire	$0.08	$0.53
Tire Tax—Light Duty Vehicles	1.0%	Of sales of LDV tires	$0.33	$2.12
Transit Passenger Miles Traveled Fee	1.5¢	¢/passenger mile traveled on all transit modes	$0.84	$5.45
Vehicle Miles Traveled Fee—Light Duty Vehicles	1.0¢	¢/LDV vehicle mile traveled on all roads	$27.12	$175.58
Vehicle Miles Traveled Fee—Trucks	4.0¢	¢/truck vehicle mile traveled on all roads	$10.93	$70.73
Vehicle Miles Traveled Fee—All Vehicles	–	¢/vehicle mile traveled on all roads	$38.05	$246.31

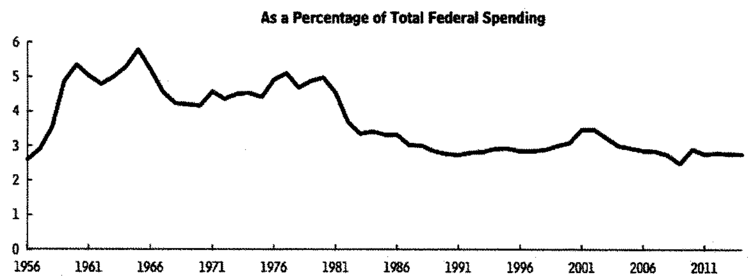
** Base annual yield escalated using CPI-U.*

WELL-DOCUMENTED SURFACE TRANSPORTATION CAPITAL INVESTMENT NEEDS EXIST

Despite federal funding challenges, investment needs continue to mount. As mentioned earlier, USDOT's *2015 Conditions and Performance Report* notes that $142.5 billion in annual capital investment is necessary for highways in order to improve Interstate Highways, the National Highway System, and one million-plus miles of Federal-aid Highways. Put another way, annual funding necessary to tackle the $836 billion backlog of highway investment needs would represent a 35.5 percent increase from 2012 levels, which itself was above the baseline spending levels due to outlays related to the temporary funding boost provided by the American Recovery and Reinvestment Act. Similar funding outlook exists for federal mass transit investment. The *2015 Conditions and Performance Report* states that low- and high-growth scenarios for transit will necessitate annual capital investment of $22.8 billion and $26.4 billion, respectively, equating to a 34 or 55 percent increase over 2012 levels.

However, in recent decades—especially after the completion of the Interstate Highway System—federal investment in transportation infrastructure has declined significantly as a share of its overall public spending.

EXHIBIT 3: FEDERAL SPENDING ON TRANSPORTATION AND WATER INFRASTRUCTURE, 1956 TO 2014



Sources: Congressional Budget Office, Office of Management and Budget, and the Census Bureau

Given that much of the Interstate system has now reached the end of its design life and must be reconstructed or replaced—and there is considerable need for additional capital improvements to the broader federal-aid highway network and the country's transit system—there is a strong argument that the federal government should strive to return to this prior level of investment relative to the national economy. Yet the federal government's share of transportation and water spending has actually been falling behind relative to state and local governments, as evidenced by its 19 percent drop between 2003 and 2014.

Our nation's freight network is an especially illuminating example of the capital investment backlog in our transportation infrastructure. The FAST Act provided almost $11 billion to address the freight system needs in this country through the new National Highway Freight

Program and the Nationally Significant Freight and Highway Projects—now known as INFRA grant. While we welcome this new federal investment and focus on the freight network, it is important to provide some context regarding the scale of the need for these projects. According to the nationwide survey conducted for the *State of Freight II* report published by AASHTO and the American Association of Port Authorities last year, 57 percent of surveyed states have already identified 6,202 projects through their freight plan development process. Furthermore, $259 billion in project costs have been identified by just 35 percent of all states – therefore we know the national figure is much higher.

At the same time, we continue to fall behind global peers in infrastructure quality and economic competitiveness. The recent *Global Competitiveness Report* rankings from the World Economic Forum on infrastructure quality has listed the United States at just 9th place overall.

EXHIBIT 4: US INFRASTRUCTURE QUALITY RANKINGS

Index Component	Rank/137	Value
2nd pillar: Infrastructure	9	6.0
2.01 Quality of overall infrastructure	10	5.9
2.02 Quality of roads	10	5.7
2.03 Quality of railroad infrastructure	10	5.5
2.04 Quality of port infrastructure	9	5.8
2.05 Quality of air transport infrastructure	9	6.0
2.06 Available airline seat kilometers millions/week	1	39,222.0
2.07 Quality of electricity supply	26	6.2
2.08 Mobile-cellular telephone subscriptions /100 pop.	47	127.2
2.09 Fixed-telephone lines /100 pop.	24	37.1

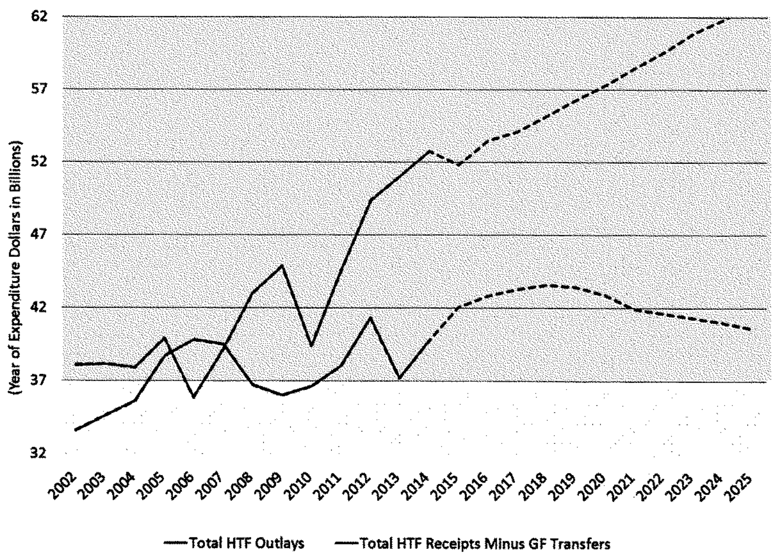
Sources: *The Global Competitiveness Report 2017-2018*

In light of continued population growth and increases in freight movements for all modes, capacity enhancements—and not just maintenance of existing infrastructure stock—must remain a key element of the national transportation investment strategy. A potentially catastrophic disruption to the federal transportation program in FY 2021 will produce serious losses that threaten the macroeconomic gains made since 2008.

ADDITIONAL REVENUES ARE NEEDED SIMPLY TO SUPPORT CURRENT INVESTMENT LEVELS

While the HTF continues to derive about 90 percent of its revenues from taxes on motor fuels, they are facing an increasingly unsustainable long-term future, therefore placing the viability of the HTF in question.

EXHIBIT 5: HIGHWAY TRUST FUND DISCREPANCY IN RECEIPTS AND OUTLAYS EXCLUDING GENERAL FUND TRANSFERS



Three factors explain the structural challenge faced by long-term motor fuel tax revenue prospects.

First is the slowdown in the growth of vehicle miles traveled (VMT) in the United States, on an aggregate basis. A steady increase in VMT has allowed the HTF to see corresponding revenue increases without necessitating constant adjustments in fuel tax rates for most of its existence. While total VMT has resumed its growth in the last two years due to increases in both population and economic activity in the post-recessionary environment, it is unlikely to see the 3.2 percent growth rate experienced on average between 1956 and 2007.

Second, motor fuel taxes at the federal level were last increased to the current rates of 18.4 cents per gallon for gasoline and 24.4 cents for diesel 24 years ago in 1993. As an excise tax levied per gallon, taxes on motor fuel have lost a significant share of its purchasing power. Compared to the Consumer Price Index, the gas tax had lost 39 percent of its purchasing power by 2015, and is expected to lose more than half of its value—or 52 percent—by 2025. Put another way, while college tuition has increased by 379 percent and healthcare by 180 percent in nominal costs since the last time federal motor fuel taxes were increased, federal motor fuel taxes have stayed at the exact same rate during this period.

EXHIBIT 6: PURCHASING POWER LOSS OF THE GAS TAX RELATIVE TO OTHER HOUSEHOLD EXPENSES

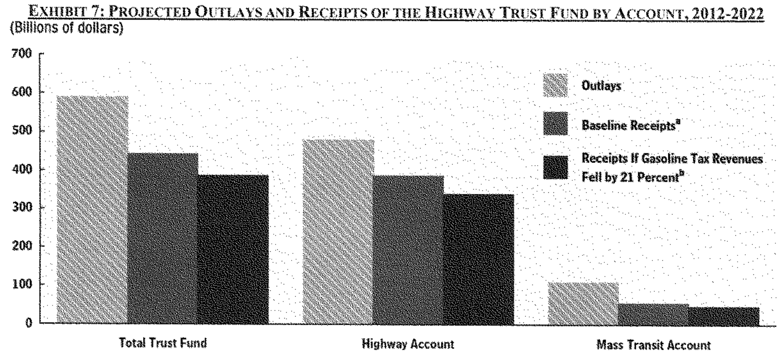
Sample of Nomical Price Changes Relative to Federal Gas Tax

Item	Description	1993	2015	Percent Change
College Tuition	Average Tution & Fees at Public 4-year Universities	$ 1,908	$ 9,145	**379%**
Healthcare	National Expenediture Per Capita	$ 3,402	$ 9,523	**180%**
House	Median New Home Price	$118,000	$292,000	**147%**
Gas	Per Gallon	$ 1.08	$ 2.56	**137%**
Beef	Per Pound of Ground Beef	$ 1.97	$ 4.38	**122%**
Movie Ticket	Average Ticket Price	$ 4.14	$ 8.43	**104%**
Bread	Per Pound of White Bread	$ 0.75	$ 1.48	**98%**
Income	National Median Household	$ 31,241	$ 56,516	**81%**
Stamp	One First-Class Stamp	$ 0.29	$ 0.49	**69%**
Car	Average New Car	$ 16,871	$ 25,487	**51%**
Federal Gas Tax	Per Gallon	$ 0.18	$ 0.18	**0%**

Source: Bureau of Labor Statistics, Center for Medicare and Medicaid Services, College Board, Federal Reserve Bank of St. Louis, Oak Ridge National Laboratory, Census Bureau, Energy Information Agency, Postal Service

Third, according to the CBO, increases in Corporate Average Fuel Economy standards over the past decades are expected to cause a significant reduction in fuel consumption by light-duty vehicles, which would result in a proportionate drop in gasoline tax receipts. CBO expects gradual lowering of gasoline tax revenues, eventually causing them to fall by 21 percent by 2040. Just in the 2012 to 2022 period, CBO estimates that such a decrease would result in a $57 billion drop in revenues credited to the fund over those 11 years, a 13 percent reduction in the total receipts credited to the fund.

EXHIBIT 7: PROJECTED OUTLAYS AND RECEIPTS OF THE HIGHWAY TRUST FUND BY ACCOUNT, 2012-2022



Source: Congressional Budget Office

DIRECT PROGRAM FUNDING IS ABSOLUTELY CRITICAL RELATIVE TO FINANCING TOOLS

In further defining the proper federal role and responsibility, AASHTO strongly believes that any Congressional infrastructure package must focus on direct grant funding distributed to states and transit agencies through formula programs rather than federal financing support. This is because financing tools that leverage existing revenue streams—such as user fees and taxes—are typically not viable for most individual transportation projects in the United States. AASHTO's member DOTs appreciate the ability to access capital markets to help speed up the delivery of much-needed transportation improvements, and many states already rely on various forms of financing and procurement ranging from bonding, TIFIA credit assistance, state infrastructure banks, and public-private partnerships, among other tools.

That being said, states also fully recognize the inherent limitations of financing for the vast spectrum of publicly-valuable transportation projects. The reality is that most transportation projects simply cannot generate a sufficient revenue stream through tolls, fares, or other user fees to service debt or provide return on investment to private-sector equity holders. In 2014, such non-direct funding sources amounted to less than 18 percent of total capital outlays.

The state DOTs continue to support a role for financing and procurement tools such as public-private partnerships given their ability to not only leverage scarce dollars, but to also better optimize project risks between public and private sector partners best suited to handle them. But we also maintain that financing instruments in the form of subsidized loans like TIFIA, tax-exempt municipal and private activity bonds, infrastructure banks, and tax code incentives are insufficient in and of themselves to meet most types of transportation infrastructure investment needs we face.

I also would like to draw your attention to the immediate crisis of deteriorating rural infrastructure, including highways, local roads, bridges, railroads, locks and dams, and harbors and port facilities. The lack of attention and underfunding of the nation's rural infrastructure—over many decades—has created a void in the heartland, where access and connectivity for 60 million Americans is in critical need of investment and renewal.

A reinvigoration of investment in rural infrastructure is essential to improving both mobility and quality of life for residents. Rural infrastructure provides individuals the access they need to health care facilities, educational opportunities, and jobs. In addition to moving people, this infrastructure is also critical to moving goods and connecting rural communities to national and global markets. Rural areas remain critical to the nation's economic success through the production and movement of goods such as in agriculture, forestry, energy, manufacturing, fishing, and mining. Improving rural infrastructure connections will ensure these goods can travel efficiently to national and international markets.

The health of our rural communities is inextricably linked to the overall prosperity and continued success of our nation's economy and its ability to compete globally. Fixing the Highway Trust Fund that provides federal resources to every corner of our country through its formula programs will be critical in meeting the needs of rural America, and realize its full potential as an economic engine of the nation.

CONCLUSION

There is ample documented evidence that shows infrastructure investment is critical for long-term economic growth, increasing productivity, employment, household income, and exports. Conversely, without prioritizing our nation's infrastructure needs, deteriorating conditions can produce a severe drag on the overall economy. In light of new capacity and upkeep needs for every state in the country, the current trajectory of the HTF—the backbone of federal surface transportation program—is simply unsustainable, as it will have insufficient resources to meet current federal investment levels beyond FY 2020.

Congress could address the projected annual shortfalls by boosting much-needed revenues. Whichever revenue tools are utilized, it is crucial to identify solutions that will, at a minimum, sustain the FAST Act-level of surface transportation investment in real terms.

A potential 40 percent reduction of federal highway funding in FY 2021 and a virtual wipeout of federal transit funding from FY 2021 to FY 2023 will have a devastating impact on all aspects of the national and regional economy. To overcome this significant challenge, AASHTO looks forward to assisting you and the rest of your House colleagues in finding and implementing a viable set of revenue solutions to the HTF not only for FY 2021, but that can also be sustained for the long term.

I want to thank you again for the opportunity to testify today, and I am happy to answer any questions that you may have.

April 16, 2018

Commissioner John Schroer's Responses to Questions for the Record
Submitted on behalf of Congresswoman Grace Napolitano

Building a 21st Century Infrastructure for America:
Long Term Funding for Highways and Transit Programs
Wednesday, March 7, 2018, 10:00 a.m.
2167 Rayburn House Office Building
Washington, DC

1.) Can you describe for the Committee TDOT's efforts to rebuild its workforce and your objective in undertaking this effort.

My objective in the effort was not to rebuild our workforce, but to try to make this department run as efficiently as possible. As a real estate development company owner for more than 35 years, I understand the importance of effective utilization of outside consultants. When I was appointed Commissioner of TDOT by Governor Bill Haslam in 2011, he asked me to run this department like it was my own company. When Governor Haslam was sworn into office, the State of Tennessee was still in the process of recovering from the recession. The previous administration had instituted a strict "hiring freeze" and that policy was initially embraced by Governor Haslam. From 2007 to 2014, TDOT went from 3900 employees to 3300 employees. Having no experience with TDOT, it took me several years to fully understand the operations and complexities of the Department. One of the initial realizations came when I did a thorough review of our usage of outside Construction Engineering Inspection (CEI) consultants. At that point, I noticed that our expenditures for consultants went from $71 million in 2007 to $127 million in 2012 while delivering relatively the same volume of construction projects. I realized then that we were simply replacing employees with contract consultants at a huge increase in department costs. I then sat down with the Governor and laid out a business plan showing him the benefits of hiring state employees to do a vast majority of our CEI work instead of using consultants. Since that time, we have increased the number of employees to 3900 with plans to increase that number to 4400 by 2019. Our net savings after employee expenses are currently at $43 million per year.

2.) Has reducing TDOT's dependency on outside consultants and increasing the number, skills, and capabilities of TDOT's professional staff allowed you to allocate additional funding toward road and bridge construction since your department began this initiative?

Every dollar of the $43 million in annual savings has gone back into projects.

COLORADO
Department of Transportation
Office of the Executive Director

CDOT Executive Director Michael Lewis

Testimony before the House Transportation & Infrastructure Committee, Subcommittee on Highways and Transit

March 7, 2018

First, I would like to thank Chairman Graves and Ranking Member Holmes Norton for the invitation to testify before the Subcommittee today on an alternative funding mechanism, road usage charging (RUC). I am pleased to be here representing RUC West - a voluntary coalition of 14 western state departments of transportation, committed to collaborative research, and information sharing on development of a new funding method for transportation infrastructure. The primary goal of this collaboration is to build public sector organizational capacity for and expertise in, RUC systems, including the associated policy, administration, and technology issues. With this forum, public agencies are invited to share best practices, discuss issues, facilitate joint research, and learn from others at different stages of RUC planning and implementation.

This hearing is critical in understanding not only how the nation has found itself with a dilapidated infrastructure system, but in examining how States and others are moving forward with bold and innovative ideas. However, before telling you a little about myself and my experiences, it is necessary for me to underscore my fellow panelists points: we must figure out a way to adequately increase revenue for infrastructure and maintain the federal-state partnership.

For those of you who do not know, before coming to Colorado in 2015 to serve as Deputy Executive Director, I served as the Director of the Rhode Island Department of Transportation and board member of Rhode Island Public Transit Authority, Rhode Island Turnpike and Bridge Authority and Rhode Island Public Rail Corporation from March 2008 to February 2015. Prior to my appointments in Rhode Island, I served as the director of Boston's Central Artery Tunnel Project (The Big Dig) from April 2000 until project completion in 2007. I am also a past President of AASHTO.

In Colorado, CDOT has an annual budget of approximately $1.4 billion for highways, bridges, statewide transit and aviation. However, to maintain our infrastructure, keep pace with rapid population growth, improve safety, and promote multimodal options, Colorado should be investing an additional $1 billion a year to avoid a steady decline in the condition and performance of our transportation system. To put it in simple terms, we need to nearly double our current amount of funding to meet the transportation needs of Colorado. Sadly, our state's funding situation is not unique. It is a dilemma that is shared by all states across our country.

This dilemma is driven by one simple fact: the gas tax as we know it is dying. For many years, gas taxes worked great as a user fee to fund transportation in this country. The more someone drove and used the system, the more fuel they purchased, and the more they paid toward the maintenance and improvement of the transportation system.

New fuel economy standards mandate that vehicles produced in 2016 have an average fuel economy of 35.5 miles per gallon and by 2025 that standard increases to 54.4 miles per gallon. In addition to these new standards, alternative fuel vehicles are becoming more prevalent. Alternative fuel vehicles include full electric, hybrid, compressed natural gas, liquid natural gas, and propane. All of which pay little or no gas tax. The Electric Vehicle Market Implementation Study (2015), completed by the Colorado Energy Office (CEO), suggests that Colorado could see an increase of upwards to 1 million electric vehicles by 2030. Moreover, the Colorado Electric Vehicle Plan (2018) has set a goal of achieving that million electric vehicle mark. Since the current funding model relies on fuel consumed, these new standards and alternative fuel vehicles result in less money to fund the transportation system.

Compounding the problem is purchasing power. Currently, the State of Colorado assesses a 22¢ per gallon tax on gasoline. This is a fixed amount that does not fluctuate with the price of gas (indexing). The state gas tax was last raised in 1991. $1.00 raised in 1991 is worth only $0.57 today - a 43% reduction in the value of the tax. As you know, the federal gas tax was last raised in 1993 and has similarly lost purchasing power. A key lesson here is that we have missed opportunities to index our fuel taxes and that should be done immediately to avoid further erosion of purchasing power.

Mr. Chairman, these challenges have led CDOT into an innovation era of how we meet the transportation needs of our State. In the past, we primarily built more highway lanes to meet capacity needs. Now, we increase travel choice, promote walking and biking, work to increase mobility through the use of operational improvements, and use pricing on new Express Lanes to manage travel reliability and growth. The Department has many successful "LEAN" process improvements that have allowed us to stretch our dollars and become a better, more efficient, customer-focused agency.

But Mr. Chairman and Members of the Committee, it is important that we communicate very clearly. Our funding crisis only increases the importance of establishing reliable, long-term funding source for highways and transit programs. Colorado believes strongly in preserving and ensuring sufficient access to the current financing tools, such as TIFIA, and in fact as you may recall, we led the effort in the FAST Act re-authorization process to prevent reductions in the TIFIA program. But we cannot fix a funding problem through financing. Financing mechanisms cannot correct insufficient investment levels. In Colorado, we would love to bond and accelerate our most important projects (to deliver projects cheaper and faster to the tax payers of our state), but we need an adequate and reliable revenue stream to pay for it - and we need it today.

With that context in mind, what are Colorado and the other members of RUC West doing to prepare for a future of more electric and alternative fuel vehicles and increased fuel efficiency? We are working cooperatively to research and evaluate a mileage-based fee system as an alternative funding mechanism to replace the gas tax. Western states have banded together to explore road usage charging systems based on vehicle miles traveled, treating roads like utilities where you directly pay for what you use. You may also hear a RUC referred to as a Mileage-based User Fee (MBUF) or a Vehicle Miles Traveled (VMT) Fee. We anticipate this as a replacement for the fuel taxes that are currently the main source of funding for our roads.

Vehicle miles traveled is the metric used to gauge the number of vehicles on the road and how many miles they are traveling. As the number of people in the state increases, so does the number of vehicle miles traveled and wear and tear on our roads. However, with increased vehicle fuel efficiency, less gas is being purchased and therefore the revenue is going down on a per mile basis. RUC charges drivers for what they use versus the gas tax which currently charges more for less fuel efficient vehicles (generally older vehicles) and charges nothing for electric vehicles. Under a road usage charge, vehicles pay for the miles traveled, which equitably charges for the usage of the system, regardless of fuel type or fuel efficiency.

RUC West is leading the effort to examine, define, and develop RUC consistency, interoperability, and compatibility among western states. Using pool funded resources, RUC West has advanced research in the field by examining the impacts of changing vehicle fleet fuel economy on state transportation funding, the effects of RUC on rural residents, protection of user privacy, parameters for RUC per mile rate setting, and evasion and enforcement policy options. RUC West is leading the charge nationally to examine the viability of RUC as an alternative to the gas tax.

The passage of the Fixing America's Surface Transportation Act in 2015 represented a seminal moment in the exploration of RUC as a viable funding alternative. Included in the legislation was a provision for the Surface Transportation System Funding Alternatives (STSFA) program. The STSFA program earmarked $95 million in federal funding to support the research of alternative funding mechanisms, such as RUC. To date, RUC West and its member states have applied for, and received, nearly $25 million for further RUC research. In California, STSFA funding was used to evaluate a pay-at-the-pump option for RUC, which includes electric charging locations; Colorado is working with the agricultural community to pilot a RUC system for rural residents; Hawaii is researching RUC collection on manual and automated readings at inspection stations; Washington is testing critical elements of interoperable, multi-jurisdictional RUC system; and Oregon continues to refine and improve their operational RUC system. These individual state efforts demonstrate the complexity and sophistication of RUC West member states in their understanding of RUC system. In short, our states are working as laboratories and are producing meaningful, replicable results.

While the individual efforts of RUC West member states are varied, the states have also combined efforts on a Regional Pilot Program launched by RUC West in 2016. Using STSFA funding, RUC West convened 11 of its member states to develop a regional framework for a cross jurisdictional, interoperable RUC system. Within the next 18-months, this framework will be implemented for a multi-state RUC system. Keep in mind that these are 11 different states, with differing political views, different revenue systems, and different laws. It is important to note the remarkable progress of RUC West in such a short amount of time. RUC West is demonstrating that the type of cooperation and collaboration needed to define and implement a new model for transportation funding is possible. The progress of this body is undeniable. In just a few short years, we have gone from one state with a pilot program to many states with pilot activities and supporting legislation. It's been done in less than five years and we are showing the nation that the dire need for sustainable transportation funding can be a call to action for collaboration among states.

Are there questions and concerns about RUC? Of course. However, CDOT's recent pilot efforts demonstrate that the questions have answers and the concerns can be relieved. Last year, CDOT completed a four-month pilot program that included 150 participants from 27 different counties across Colorado, from cities to towns, mountains to plains, to individuals with less fuel-efficient cars and trucks, to hybrid and electric vehicles. The pilot allowed drivers of different vehicle types to choose how they reported their mileage and compare what they would pay under a road usage charge versus the current gas tax. This pilot was one of the first steps in an extensive process of evaluating the concept alongside other funding alternatives.

CDOT developed a number of goals to gauge the success of the pilot. We wanted to demonstrate an operational RUC program; identify and evaluate policy issues such as how drivers crossing state lines (out-of-state drivers) would be handled, and drivers using private roads; test the feasibility of various mileage-reporting choices, which included manual reporting, GPS and non-GPS-enabled mileage-reporting devices; and solicit feedback and ideas about participant experiences that would inform the potential development and user acceptability of a RUC system.

Participants reported high satisfaction with all aspects of the pilot program, and ninety-one percent of participants said they would participate in a future pilot. Seventy percent of participants chose the GPS-enabled mileage-reporting option. Participants using mileage-reporting devices were much more satisfied with their choice (93 percent of participants were satisfied) than those who had opted for odometer reading (55 percent were satisfied). Eighty-eight percent of participants felt their personal information was secure during the pilot.

While money was not exchanged in this pilot, 73 percent of participants felt the amount they would have owed in road usage charges was the same or less than expected. Eighty-one percent of participants agreed that a road usage charge is a fair funding method. Surveys identified issues on how a road usage charge would address out-of-state drivers and miles driven on private roads. As part of the pilot program, CDOT made an online calculator available to the general public, involved in the pilot or not, to compare the state gas tax with the Colorado RUCPP rate, and assess what a potential RUC system would mean for them.

Mr. Chairman and Members of the Subcommittee, it is ideas like these, led by states, that can help answer the very nature of this hearing: How do we provide long-term funding for the transportation system? CDOT will continue to explore this possible funding mechanism to ensure Americans have the mobility they need for livable communities and economic health. However, we cannot stress enough that we have an immediate funding crisis in this country regarding infrastructure. The findings from these pilot programs will provide important information on how to best structure and implement a sustainable funding mechanism for the long term.

States have seen this coming and some, like the 14 states of RUC West, have taken steps to look for sustainable alternatives to the gas tax as a fair, equitable, and efficient way to pay for our transportation system. We'll continue to explore RUC as a potential funding alternative that will help us ensure we continue to have a healthy transportation system that works for our states' economies and quality of life.

Mr. Chairman, the future is upon us now. We value our partnership with the Federal government to support this work.

I appreciate the Subcommittee's time and attention to this important topic and I am happy to answer any questions you may have.

COLORADO
Department of Transportation
Office of the Executive Director
4201 East Arkansas Ave, Suite 262
Denver, CO 80222

MEMORANDUM

TO:	CONGRESSMAN RICK LARSEN
FROM:	MICHAEL P. LEWIS, EXECUTIVE DIRECTOR
DATE:	APRIL 16, 2018
SUBJECT:	RESPONSE TO THE QUESTIONS FOR THE RECORD

We are responding to your additional questions from April 3, 2018 regarding...

1. **Washington State has incrementally raised the gas tax to help to ensure the longevity of state infrastructure projects. State officials are also considering a voluntary Road Usage Charge (RUC) pilot program to study how much revenue could be generated if drivers paid per mile driven as opposed to the amount of gas used.**

   - **How do the benefits of a RUC differ from those of traditional long-term funding tools, like a gas tax?**
     a. There are a number of tangible benefits where a RUC model differs from the traditional gas tax-funding model. These include:
        - Sustainability: The increase in vehicle fuel efficiency is the principle driver of Highway Trust Fund (HTF) insolvency. While raising the state or national gas tax might be a good short-term option for increasing revenue, it fails to create a long-term and sustainable solution to the problem. In 2017, the U.S. Energy Information Administration (EIA) estimated that the stock fuel economy of light duty vehicles would increase from approximately 20 mpg in 2000 to nearly 35 mpg by the year 2040. As consumers continue to buy highly fuel-efficient vehicles, they buy less and less fuel and overall revenues collected from the gas tax continue to decline. The RUC model is immune from these increases in fuel economy because revenue is collected based on usage, not fuel consumed.
        - Equity: The RUC model helps reestablish equity amongst drivers by having them pay for their use of the roads, as opposed to only the gas they consume. In practical terms, drivers with fuel-efficient vehicles pay less in gas tax, while those who drive less fuel-efficient pay more. Under the gas tax, two users traveling the same distance, but with differing fuel economy, are paying different rates to access and utilize the system.

   - **Can a Road Usage Charge (RUC) be variably priced?**
     a. The Colorado Road Usage Charge Pilot Program (RUCPP) examined per mile rate setting and offered recommendations for further evaluation of the topic. It is certainly true that RUC can be variably priced, but it is important to consider the goals and criteria for variable rate setting and the applicable pricing components. The choice to incorporate additional charging elements (outside of distance) within any pricing system is inherently dependent on the goals and associated objectives of the system. Goals and objectives that might be considered for integration with RUC Systems are refereced in the table below.

	Potential Goals	Objectives	Pricing Components
Environmental	Reduce mobile source emissions	Encourage fuel efficient vehicles	Variance based on fuel efficiency, vehicle year, vehicle type
	Reduce mobile source emissions	Discourage driving during congested periods of the day	Variance based on time of day, congestion levels
System	Maintenance and Preservation	Reduce roadway wear and tear	Variance based on road type, vehicle type, vehicle weight
	Congestion Reduction	Reduce driving during peak periods	Variance based on time-of-day or congestion levels
Equity	Equitable distribution of costs based on impact	Charge in proportion to roadway damage	Variance based on vehicle weight
	Equitable distribution of costs based on use	Promotion of user-pays principle	Variance based on vehicles miles traveled

For reference, the table below provides a more detailed look at each of the pricing components detailed in the previous table.

Pricing Component	Aspect of Road User
Vehicle Weight	Different vehicle types place differing levels of stress on roadway infrastructure, which impacts maintenance and preservation costs. Pricing based on vehicle weight can help account for these costs.
Vehicle Age/ Fuel Economy	Varying fees within particular vehicle classes based on the age of the vehicle or fuel economy can help to account for the cost of pollution from older model vehicles or less fuel-efficient vehicles.
Vehicle Type	Providing a varying rate by vehicle type could encourage the purchase of certain types of vehicles like hybrids, electric vehicles and other alternative fuel vehicles.
Time of Day	Drivers increase the cost of travel to other drivers when they choose to travel during congested periods of the day. Each additional vehicle increases volumes, which reduces travel times. As such, a pricing system that varies by the time of day, with higher rates being set during periods of high congestion, can help to address congestion by internalizing the added cost of congestion each driver imposes. Drivers are provided a monetary incentive to travel during periods of lower congestion.
Location	Varying fees based on location, such as within certain defined locations or on specific roadways, can help better align revenues with the specific needs of regions or facilities.
Administrative Costs	The goal is for the administration costs of RUC to be essentially comparable to the current fuel tax (in regard to percent of revenues), However, movement to a RUC system would expand tax collection from several hundred points of sale to the total number of registered vehicles in the state. As a result, potential administrative costs could be higher. Accordingly, the RUC rate might include administrative costs.

b. It is possible in near future, RUC could be a factor in smart vehicle technology allowing users of the transportation system to make choices based of time, distance and price. The transportation system itself will become smart and possibly allow for 'financial' incentives for users to find alternative routes by price to incentivize an efficient distribution of users throughout the entire system.
c. For state RUC rates, the legislature would set the rate and could consider these factors.

A copy of the Colorado Road Usage Charge Pilot Program can be found on the RUC West website or by clicking the following link: https://www.rucwest.org/about/resources/

Statement of

Chris Spear
President & Chief Executive Officer
American Trucking Associations

Before the

Subcommittee on Highways and Transit
Committee on Transportation and Infrastructure

United States House of Representatives

Hearing on

Building a 21st Century Infrastructure for America:
Long-Term Funding for Highways and Transit Programs

March 7, 2018

Chairman Graves, Ranking Member Norton, and members of the subcommittee, thank you for giving the American Trucking Associations (ATA)[1] an opportunity to testify on the need for a long-term, sustainable funding solution for the Nation's surface transportation infrastructure. That we are having this discussion today, more than two years away from the expiration of the FAST Act, is both highly unusual and exceedingly welcome. It is a testament to the leadership shown by both this committee and by President Trump, who for the first time in decades has placed the power of his office behind a push for more infrastructure investment. I hope that Congress is able to take advantage of the momentum that the President has created and passes legislation that addresses the looming shortfall facing the Highway Trust Fund before state and local transportation agencies are forced to take drastic measures in anticipation of a federal transportation funding crisis.

Trucking is the fulcrum point in the United States' supply chain. This year, our industry will move 71 percent of the Nation's freight tonnage.[2] In 2012 the goods moved by trucks were worth more than $10 trillion.[3] Furthermore, the trucking industry employs 7.4 million people, accounting for every 1 in 16 jobs in the U.S. "Truck driver" is the top job in 29 states.

Without trucks, our cities, towns and communities would lack access to food and drinking water; there would be no clothes to buy, and no parts to build automobiles or fuel to power them. The rail, air and water intermodal sectors would not exist in their current form without the trucking industry to support them. Trucks are central to our Nation's economy and our way of life, and every time the government makes a decision that affects the trucking industry, those impacts are also felt by every American and by the millions of businesses that could not exist without trucks.

There have been times in our Nation's history when governments have been tasked with making transformational decisions that affected the movement of freight to such an extent that it changed the course of our economy and our very way of life. Construction of the Erie Canal, initiated by New York State, enabled western migration, opened vast markets to Midwestern farmers and lowered food costs in Eastern cities. The transcontinental railroad, facilitated by Acts of Congress, allowed people and freight to move quickly and at low cost from coast to coast. Construction of the Interstate Highway System, conceptualized by President Dwight D. Eisenhower and enabled by the Federal-Aid Highway Act of 1956, significantly lowered the cost of moving freight and transformed our cities. Finally, federal deregulation of the trucking, air and railroad industries unleashed Americans' entrepreneurial spirit, significantly reducing the cost of moving and warehousing freight, allowing U.S. manufacturers to better compete with their global competitors and lowering the cost of finished products.

Mr. Chairman, we are once more on the cusp of a transformation in the movement of freight, one that you and your colleagues will greatly influence. Radical technological change will, in the near future, allow trucks to move more safely and efficiently, and with less impact on the environment, than we ever dared to imagine. Yet we are facing headwinds, due almost entirely to government

[1] *American Trucking Associations is the largest national trade association for the trucking industry. Through a federation of 50 affiliated state trucking associations and industry-related conferences and councils, ATA is the voice of the industry America depends on most to move our nation's freight. Follow ATA on Twitter or on Facebook. Trucking Moves America Forward.*

[2] *Freight Transportation Forecast 2017 to 2028*. American Trucking Associations, 2017.

[3] *2012 Commodity Flow Survey*. U.S. Census Bureau, Feb. 2015.

action or, in some cases, inaction, that will slow or cancel out entirely the benefits of innovation. Shortsighted attempts to prevent the trucking industry from utilizing new technology will make driving jobs less safe, not preserve them. Failure to maintain and improve the highway system that your predecessors helped to create will destroy the efficiencies that have enabled U.S. manufacturers and farmers to continue to compete with countries that enjoy far lower labor and regulatory costs. Eradicating trade policies that have created a North American trading bloc that has benefited all three countries will severely hamper our industry's customers' ability to compete globally. And federal inaction to ensure that truly cost-beneficial regulations enable the efficient movement of interstate freight will unnecessarily add costs to every delivery.

Mr. Chairman, we are at a critical point in our country's history, and the decisions made by this subcommittee over the next few months will impact the safety and efficiency of freight transportation for generations. ATA looks forward to working with you to develop and implement sound policy that benefits, not just our industry, but also millions of Americans and businesses that rely on an efficient supply chain.

CONDITION OF THE HIGHWAY SYSTEM

A well-maintained, reliable and efficient network of highways is crucial to the delivery of the Nation's freight and vital to our country's economic and social well-being. However, the road system on which we travel is rapidly deteriorating, and costs the average motorist nearly $1,500 a year in higher maintenance and congestion expenses.[4] Highway congestion also adds more than $63 billion to the cost of freight transportation each year.[5] In 2015, truck drivers sat in traffic for nearly one billion hours, equivalent to more than 362,000 drivers sitting idle for a year.[6] Most troubling is the impact of underinvestment on highway safety. In nearly 53 percent of highway fatalities, the condition of the roadway is a contributing factor.[7] In 2011, nearly 17,000 people died in roadway departure crashes, over 50 percent of the total.[8]

The Highway Trust Fund (HTF), the primary source of federal revenue for highway projects, safety programs and transit investments, is projected to run short of the funds necessary to maintain current spending levels by FY2021.[9] While an average of approximately $40 billion per year is expected to be collected from highway users over the next decade, at least $60 billion will be required annually to prevent significant reductions in federal aid for critical projects and programs.[10] It should be noted that a $60 billion annual average federal investment *still* falls well short of the resources necessary to provide the federal share of the expenditure needed to address the Nation's surface transportation safety, maintenance and capacity needs.[11] According to the

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[4] *Bumpy Roads Ahead: America's Roughest Rides and Strategies to make our Roads Smoother,* The Road Information Program, Nov. 2016; see also *2015 Urban Mobility Scorecard.* Texas Transportation Institute, Aug. 2015.
[5] *Cost of Congestion to the Trucking Industry: 2017 Update.* American Transportation Research Institute, May 2017.
[6] *Ibid.*
[7] *Roadway Safety Guide.* Roadway Safety Foundation, 2014.
[8] *Ibid.*
[9] *Projections of Highway Trust Fund Accounts – CBO's June 2017 Baseline,* Congressional Budget Office.
[10] *Ibid.*
[11] *2015 Status of the Nation's Highways, Bridges, and Transit: Conditions & Performance.* USDOT, Dec. 2016; see also *2017 Infrastructure Report Card.* American Society of Civil Engineers, 2017.

American Society of Civil Engineers, the U.S. spends less than half of what is necessary to address these needs. As the investment gap continues to grow, so too will the number of deficient bridges, miles of roads in poor condition, number of highway bottlenecks and, most critically, the number of crashes and fatalities attributable to inadequate roadways.

BUILD AMERICA FUND

ATA's proposed solution is the Build America Fund. The BAF would be supported with a new 20 cent per gallon fee built into the price of transportation fuels collected at the terminal rack, to be phased in over four years. The fee will be indexed to both inflation and improvements in fuel efficiency, with a five percent annual cap. We estimate that the fee will generate nearly $340 billion over the first 10 years. It will cost the average passenger vehicle driver just over $100 per year once fully phased in.[12]

Under the proposal the first tranche of revenue generated by the new fee would be transferred to the HTF. Using a FY 2020 baseline, existing HTF programs would be funded at authorized levels sufficient to prevent a reduction in distributed funds, plus an annual increase to account for inflation.

Second, a new National Priorities Program (NPP) would be funded with an annual allocation of $5 billion, plus an annual increase equivalent to the percentage increase in BAF revenue. Each year, the U.S. Department of Transportation would determine the location of the costliest highway bottlenecks in the nation and publish the list.[13] Criteria could include the number of vehicles; amount of freight; congestion levels; reliability; safety; or, air quality impacts. States with identified bottlenecks could apply to USDOT for project funding grants on a competitive basis. Locations could appear on the list over multiple years until they are addressed.

The funds remaining following the transfer to the HTF and the NPP would be placed into the Local Priorities Program (LPP). Funds would be apportioned to the states according to the same formula established by the Surface Transportation Block Grant Program, including sub-allocation to local agencies. Project eligibility would be the same as the eligibility for the National Highway Freight Program or National Highway Performance Program, for highway projects only.

ATA believes that this approach would give state and local transportation agencies the long-term certainty and revenue stability they need to maintain and begin to improve their surface transportation systems. They should not be forced to resort to costly, inefficient practices – such as deferred maintenance – necessitated by the unpredictable federal revenue streams that have become all too common since 2008. Furthermore, while transportation investment has long-term benefits that extend beyond the initial construction phase, it is estimated that our proposal would add nearly half a million annual jobs related to construction nationwide, including more than

[12] Federal Highway Administration, *Highway Statistics 2016*, Table VM-1. Average light-duty vehicle consumed 522 gallons of fuel.

[13] For examples of freight bottlenecks that could be eligible see: http://atri-online.org/wp-content/uploads/2017/01/2017-ATRI-Bottleneck-Brochure.pdf

11,000 jobs in Missouri and nearly 2,000 jobs in Washington, D.C. (see Appendix A for a full list of state-specific employment figures).[14]

The fuel user fee is the most immediate, cost-efficient and conservative mechanism currently available for funding surface transportation projects and programs. Collection costs are less than one percent of revenue.[15] Our proposal will not add to the federal debt or force states to resort to detrimental methods that could jeopardize their bond ratings. Unlike other approaches that simply pass the buck to state and local governments by giving them additional "tools" to debt-finance their infrastructure funding shortfalls for the few projects that qualify, the BAF will generate real money that can be utilized for any federal-aid project.

Mr. Chairman, while some have suggested that a fuel user fee is regressive, the economic harm of failing to enact our proposal will be far more damaging to motorists. The $100 per year paid by the average car driver under this proposal pales in comparison with the $1,500 tax they now pay annually due to additional vehicle maintenance, lost time and wasted fuel that has resulted from underinvestment in our infrastructure. Borrowing $20 billion a year from China to debt finance the HTF funding gap, a cost imposed on current and future generations of Americans who will be forced to pay the interest, is far more regressive than the modest fee needed to avoid further blowing up our already massive national debt. Forcing states to resort to tolls by starving them of federal funds is far more regressive than the $2.00 a week motorists would pay under our proposal. One needs to only look to I-66 in Northern Virginia, where tolls average more than $12.00 roundtrip and can sometimes exceed $46.00, to understand the potential impacts on lower- or middle-income Americans.[16] To put this into perspective, even if motorists only paid the average toll, the cost of a 10-mile trip over an eight day period on I-66 would be equivalent to their cost for an entire year under ATA's BAF proposal for all roads and bridges.

Furthermore, some groups have pointed out the annual rise in household expenses that would be incurred with a 25 cent increase in the gasoline tax as a reason to oppose such user fee increases.[17] What these groups fail to mention is that while the average household cost would be approximately $273 per year, $2,818 is lost per household annually due to vehicle maintenance costs as a result of poorly maintained roads, and lost time and fuel due to congestion.

ALTERNATIVE REVENUE SOURCES

We believe that the fuel user fee is the most fair and efficient method for funding highways. Just 0.2 percent of fuel tax revenue goes to collection costs.[18] We are willing to consider other funding options, provided they meet the following criteria:

- Be easy and inexpensive to pay and collect;
- Have a low evasion rate;
- Be tied to highway use; and

[14] *A Framework for Infrastructure Funding.* American Transportation Research Institute, Nov. 2017.
[15] *Ibid.*
[16] http://www.66expresslanes.org/documents/66_express_lanes_january_2018_performance_ereport.pdf
[17] https://freedompartners.org/wp-content/uploads/2018/02/GasTaxByState.pdf
[18] *Ibid.*

- Avoid creating impediments to interstate commerce.

While ATA is open to supporting a wide range of funding and financing options, we will oppose expansion of Interstate highway tolling authority and highway "asset recycling." Interstate tolls are a highly inefficient method of funding highways. Tolling also forces traffic onto secondary roads, which are weaker and less safe. Asset recycling involves selling or leasing public assets to the private sector. Where asset recycling has been utilized on toll roads in the U.S., toll payers have seen their toll rates increased, only to subsidize projects with little or no benefit to them. Our position on asset recycling pertains only to the highway sector.

ATA is aware of proposals to create a new freight fee that taxes the cost of freight transportation services. While we believe that such a proposal is attractive in concept, we have identified several issues that have yet to be resolved to our satisfaction, and therefore we cannot support it at this time. Our primary (though by no means only) concerns are: high administrative costs; significant potential for evasion; and difficulty imposing the fee on private carriers.

We do support a new federal *registration* fee on all vehicles. Since states already collect registration fees, the infrastructure is already in place to collect such a fee at a very low cost. The fee could be charged initially on electric and other alternative fuel vehicles that do not currently pay a fuel tax. The cost to motorists would be relatively small; a $110 annual fee per passenger vehicle, for example, would be roughly equivalent to the average amount of federal fuel tax currently paid by these vehicles each year. Yet, this $110 registration fee would raise nearly $29 billion annually if charged to all motorists, a total that exceeds the amount of revenue currently collected through the federal gasoline tax.

FUTURE REVENUE SOURCES

While ATA considers the BAF to be the best and most immediate means for improving our nation's roads and bridges, we also recognize that due to improvements in fuel efficiency and the development of new technologies that avoid the need to purchase fossil fuel altogether, the fuel tax is likely to be a diminishing source of revenue for surface transportation improvements. We encourage Congress, in consultation with the Executive Branch, state and local partners and the private sector, to continue to work toward identifying future revenue sources. As you know, the FAST Act created a new grant program designed to accomplish this objective, and we hope that this research will continue. While much work has already been done in this regard, there is much still to be done before these new revenue mechanisms are ready for mainstream implementation. ATA encourages Congress to include in a future infrastructure package or surface transportation reauthorization bill a plan to bolster and, if necessary, ultimately replace current highway funding mechanisms with new, more sustainable revenue sources. We recommend a ten-year strategy that could include creation of a blue-ribbon commission to explore the results of pilot programs already completed or underway, with recommendations for either further research or a proposal for Congress to adopt a new funding approach.

THE ADMINISTRATION'S INFRASTRUCTURE PROPOSAL

ATA is encouraged by the President's focus on infrastructure, and we are thankful that it is a stated priority. However, we are troubled by certain aspects of the proposal.[19]

Most disturbing is the lack of a solution to address the HTF shortfall, although we are encouraged by reports that President Trump is open to supporting an increase in the fuel tax. Reducing the federal commitment puts the Nation on a path toward devolution of responsibility for improving the highway system to state and local governments. There are very good reasons for continued federal financial support of highway investment. The U.S. Constitution charges the federal government with responsibility for ensuring the free movement of interstate commerce, and such movement is not possible without an efficient roadway network. Some argue that with completion of the Interstate system, the federal government no longer has a valid reason to maintain a significant role in providing financial support for highway improvements. However, this belies the fact that the federal government has an interest in ensuring that the system is not only properly maintained, but also expanded, to accommodate economic and population growth, for the same reasons that it led the construction of the network in the first place. Mr. Chairman, there is a commonly used mantra that is applicable here: "hope is not a strategy." The federal government cannot on the one hand establish a policy goal of promoting safer, more efficient surface transportation systems and then hope that others will fill the funding gap when it fails to provide the resources necessary to achieve these objectives.

Half of the proposal's funding would be used for a new discretionary program to fund multiple infrastructure asset classes. The minimum required match from recipients is 80%. However, because 70% of the evaluation criteria is tied to the amount of the non-federal contribution, it is likely that the actual non-federal share will be higher than 80% for most projects as applicants effectively attempt to outbid each other in a type of blind auction.

It is ironic that a proposal that claims as a guiding principal that "States and localities are best equipped to understand the infrastructure investments needs of their communities" has adopted a strategy that would actually shift decision-making from local decision-makers to the federal bureaucracy. Under the current Federal-Aid Highway Program (FAHP) virtually all of the money flowing from the FAHP is apportioned directly to state and local governments, who have very wide discretion on how the funds are spent. In contrast, under the White House proposal the disposition of the discretionary money will be determined by the policies and subjective preferences of whichever administration happens to be in power at the time.

We are also very concerned with the proposal's statement in support of eliminating federal restrictions on Interstate tolls. Toll collection costs are significantly greater than the cost of collecting other user fees.[20] Furthermore, tolls cause motorists to use alternative routes that are generally less safe and not as well constructed. ATA strongly opposes expansion of Interstate tolling authority and we support rolling back existing exceptions to the current restrictions on tolling existing Interstates (other than HOV lanes). We cannot support any transportation proposal that so radically alters the treatment of Interstate tolls. Congress has for decades

[19] *Legislative Outline for Rebuilding Infrastructure in America*, 2018. The White House.
[20] *Ibid.*

recognized the need for restrictions on tolling authority in order to maintain the efficient flow of interstate traffic and we strongly encourage the subcommittee to roll back, not expand, Interstate highway tolling authority.

Much of the Administration's proposal's anticipated funding derives from an expectation that a very significant amount of non-federal revenue will be leveraged using various financing instruments that are bolstered under the plan. However, few highway projects are likely to qualify for this type of financing, primarily due to a lack of sufficient traffic necessary to generate the revenue needed to attract private investment. It is also important to keep in mind that private investment is not free money. Whether through tolls or another revenue source, taxpayers will ultimately bear all of the costs, including financing costs and the profits that accrue to the private partners.

The Administration's proposal also promotes asset recycling, which involves a long-term lease of publicly owned infrastructure assets to investors in exchange for an upfront payment. In the U.S., similar schemes were used for long-term leases of the Indiana Toll Road and Chicago Skyway a decade ago. In both cases, toll rates skyrocketed, with little or no benefit for the users of those facilities. ATA will oppose any proposal that incentivizes asset recycling of highway infrastructure, although we have not taken a position on the use of this strategy for non-highway assets.

While we applaud the Administration for elevating the debate on infrastructure investment, real money is needed to address the country's infrastructure investment shortfall. No amount of state flexibility to toll Interstates or commercialize rest areas will plug the $15-$20 billion hole looming over the HTF. ATA does, however, support the Administration's efforts to streamline the environmental review process, which currently adds unnecessary time and cost to many federal-aid projects.

FREIGHT TRANSPORTATION IMPROVEMENT

While trucks move the vast majority of freight, it is important to recognize the critical nature of the multimodal supply chain. The seamless interchange of freight between trucks, trains, aircraft, ships and waterways operators allows shippers to minimize costs and maximize efficiencies. While carriers do what they can to make this process as smooth as possible, some things are largely out of our hands and require government action.

Importance of the Federal Role
The federal government has a critical role to play in the supply chain. Freight knows no borders, and the constraints of trying to improve the movement of freight without federal funding and coordination will create a drag on all freight providers' ability to serve national and international needs. As the maps in Appendix B show, trucks move products to and from the far corners of the country, and serve international markets as well.

These maps demonstrate that parochial debates over how much funding each state receives is ultimately destructive to shippers no matter where they are located. The cost of congestion for a truck that moves freight from Kansas City to Chicago is no different whether that congestion occurs in Kansas City or in Chicago. There is little advantage to a truck moving a load of cars from the Port of Baltimore to a dealership in Washington, D.C. if roadway improvements are made around the port, only to experience severe congestion in Washington. The critical role that only the federal government can play is to look at investment decisions in the context of national impacts and determine which investments can produce the greatest economic benefits regardless of jurisdictional considerations. Only the federal government can break down the artificial constraints of geographic boundaries that hamper sound investment in our Nation's freight networks. Only the federal government can provide the resources necessary to fund projects whose benefits extend beyond state lines, but are too expensive for state or local governments to justify investment in at the expense of local priorities.

FREIGHT INTERMODAL CONNECTORS

Freight intermodal connectors – those roads that connect ports, rail yards, airports and other intermodal facilities to the National Highway System – are publicly owned. And while they are an essential part of the freight distribution system, many are neglected and are not given the attention they deserve given their importance to the Nation's economy. Just nine percent of connectors are in good or very good condition, 19 percent are in mediocre condition and 37 percent are in poor condition.[21] Not only do poor roads damage both vehicles and the freight they carry, but the Federal Highway Administration found a correlation between poor roads and vehicle speed. Average speed on a connector in poor condition was 22 percent lower than on connectors in fair or better condition.[22] FHWA further found that congestion on freight intermodal connectors causes 1,059,238 hours of truck delay annually and 12,181,234 hours of automobile delay.[23] Congestion on freight intermodal connectors adds nearly $68 million to freight transportation costs each year.[24]

One possible reason connectors are neglected is that the vast majority of these roads – 70 percent – are under the jurisdiction of a local or county government.[25] Yet, these roads are serving critical regional or national needs well beyond the geographic boundaries of the jurisdictions that have responsibility for them, and these broader benefits may not be factored into the local jurisdictions' spending decisions. While connectors are eligible for FAHP funding, it is clear that this is simply not good enough. We urge Congress to set aside adequate funding for freight intermodal connectors to ensure that these critical arteries are given the attention and resources they deserve.

MAP 21 AND FAST ACT FREIGHT PROVISIONS

We are grateful to the subcommittee for supporting the inclusion of significant freight provisions in the most recent authorization bills. These new programs recognize the centrality of freight

[21] *Freight Intermodal Connectors Study.* Federal Highway Administration, April 2017.
[22] *Ibid.*
[23] *Ibid.*
[24] *An Analysis of the Operational Costs of Trucking: 2016 Update.* American Transportation Research Institute, May 2017. Estimates average truck operational cost of $63.70 per hour.
[25] *Ibid.*

transportation to the federal-aid program. We encourage Congress to build on this progress in future legislation.

Most notably, the FAST Act established the Nationally Significant Freight and Highway Projects (NSFHP) program, which provided $4.5 billion in dedicated discretionary funds specifically for projects that improve freight transportation safety and mobility. We encourage Congress to continue the program with at least as much funding as was provided by the FAST Act. We also suggest narrowing the eligibility criteria to ensure that the most critical projects receive funding and that selected projects are truly those that serve significant freight transportation purposes. We oppose lowering existing cost thresholds or increasing the amount of funding available for non-highway projects.

We are troubled by certain aspects of the USDOT's July 5, 2017 Notice of Funding Opportunity (Docket No. DOT–OST–2017–0090) for the NSFHP (renamed INFRA by the notice). The agency is attempting to use the program to promote its support for public-private partnerships by suggesting that applicants who use this financing strategy would receive favorable treatment. This policy is not supported by the FAST Act and it will not in any way advance the goals of the program. In fact, the policy will limit the number of good proposals submitted for consideration, especially those in rural and other low-density areas. We encourage the subcommittee to express opposition to USDOT's approach and, if necessary, add statutory language to prevent USDOT from usurping Congressional intent.

We are also pleased with creation of the National Highway Freight Program, which dedicated more than $6 billion to freight-related projects. Similar to the NSFHP program, we encourage the subcommittee to revise the program to ensure that investments are better targeted to critical freight projects, especially the major highway bottlenecks that disproportionately impact the cost and efficient movement of goods. We also encourage Congress to avoid increasing the share of apportioned revenue that states may use for non-highway projects.

On October 18, 2015, USDOT released, for comment, a draft National Freight Strategic Plan (NFSP) in response to a requirement in MAP-21. However, the plan was not finalized, nor has it been revised to incorporate new provisions in the FAST Act. The Plan was due to be finalized on December 4, 2017. We encourage USDOT to reissue a new draft for comment as soon as possible. Some of ATA's concerns with the draft are as follows:

1. The document identifies highway bottlenecks as a significant barrier to the efficient movement of freight. However, while it suggests low-cost approaches to mitigate the impacts of bottlenecks, the NFSP does not acknowledge the need for significantly greater investment to address those projects that require substantial capacity expansion or interchange realignment.

2. The NFSP suggests the establishment of a new multimodal freight funding program. While ATA could support the general concept under the right circumstances, we are concerned about how such a program would be funded and how the revenue would be distributed. Today, the vast majority of freight user-fee revenue comes from the trucking industry, with a significantly smaller amount of revenue coming from airfreight and

waterborne freight transportation sources. Freight railroads do not pay any user fees at all and have consistently opposed the imposition of fees. Any multimodal freight fund that derives its revenue wholly or partially from user fees is therefore likely to create an imbalance in the amount of revenue contributed by the trucking industry and the benefit the trucking industry gets from its investment. It would be both inappropriate and unfair to force the trucking industry to subsidize other freight modes, particularly if those modes compete with trucking companies. We are also concerned about the potential distribution of a freight funding program whose revenue comes from General Fund or other non-user fee revenue. Based on past experience with TIGER and similar programs, it is apparent that the money is more likely to be invested according to an administration's policy goals than based on an unbiased assessment of national needs.

3. While the Plan calls for a new multimodal freight program, it fails to acknowledge that the most important part of the freight infrastructure system – the National Highway System – already has a dedicated federal funding source (the HTF) that is woefully underfunded. The NFSP offers no solutions for addressing this shortfall, a critical oversight.

4. ATA is very concerned with the proposal to require that vehicles servicing federal-aid freight infrastructure projects must meet certain EPA requirements and NHTSA's fuel economy and GHG emissions standards. While the vast majority of vehicles will likely meet model year 2010 standards, the NHTSA requirements will take effect many years in the future, and it will likely take decades for the heavy duty vehicle fleet to fully incorporate the new regulatory requirements. Furthermore, it is possible that additional requirements for heavy duty vehicle criteria emissions standards will be adopted in the future, with vehicles servicing federal-aid projects presumably being forced to meet the new standards. This proposal is likely to increase highway project costs at a time when additional spending is desperately needed to meet even basic needs.

Finally, MAP-21 also began the process of moving toward a performance-based planning and programming environment, including for freight-related investments and other key factors such as highway safety and bridge and pavement condition. This approach will help to focus limited resources on the most beneficial projects. We are concerned, however, about the potential lack of uniformity involved in allowing state and local agencies to establish their own measures. We are also concerned that without additional incentives, this new approach will fall short of its goals. Nonetheless, ATA is encouraged by the actions taken by Congress and the USDOT thus far, and we urge implementation of performance measures without delay.

TRUCK DRIVER PARKING SHORTAGE

Research and feedback from carriers and drivers suggest there is a significant shortage of available parking for truck drivers in certain parts of the country. Given the projected growth in demand for trucking services, this problem will likely worsen. There are significant safety benefits from investing in truck parking to ensure that trucks are not parking in unsafe areas due to lack of space.

Funding for truck parking is available to states under the current federal-aid highway program, but truck parking has not been a priority given a shortage of funds for essential highway projects. Therefore, we support the creation of a new discretionary grant program with dedicated funding from the federal-aid highway program for truck parking capital projects.

ADDITIONAL PRODUCTIVITY IMPEDIMENTS

It is helpful to understand the full range of productivity constraints we are facing in the context of addressing infrastructure-related impediments. There are a host of actions that Congress can take to improve freight mobility without compromising important societal goals such as safety and air quality.

While ATA supports state flexibility on certain matters, it should be recognized that Congress has a Constitutionally mandated responsibility to ensure the flow of interstate commerce. Where appropriate, federal preemption may be necessary. Unfortunately, federal avoidance of preemption in the name of states' rights or to avoid controversy sometimes leads to a patchwork quilt of state regulations that creates significant inefficiencies. Where appropriate, the federal government must act to protect the public interest from the parochial demands of narrow constituencies.

Automated Technology in Trucking
Automated vehicle technologies have the potential to dramatically impact nearly all aspects of the trucking industry. These technologies can bring benefits in the areas of safety, environment, productivity, efficiency, and driver health and wellness. The safety gains achievable by removing human error, a factor in 94 percent of all vehicle crashes,[26] could be transformative in reducing fatalities and injuries on our roadways, as well as in preventing even minor crashes, which would reduce traffic congestion and pollution, providing additional economic and societal benefits. This technology can also help to alleviate the truck driver shortage and prevent driver fatigue.

ATA believes that the driver will retain an important role in trucking, even with fully automated trucks. In addition to monitoring the automated driving systems and manually driving in the cityscape and at loading docks, drivers will retain their current responsibilities for securing the cargo, particularly hazardous cargo, as well as for customer interaction with the shipper and receiver.

In addition, ATA sees great potential for vehicle connectivity using the 5.9 GHz Safety Spectrum to improve the performance of automated vehicles. Vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication using the Safety Spectrum can save lives and reduce traffic congestion and vehicle emissions. The benefits of V2V/V2I technology will grow when coupled with automated vehicle technology, and vice versa. As the Federal Communications Commission (FCC) considers action that would allow other uses of the 5.9 GHz spectrum that was allocated for V2V and V2I communication, we believe it is important that any decisions over sharing the Safety Spectrum should be driven first and foremost by public safety, preserving all seven

[26] Singh, S. (2015, February). *Critical reasons for crashes investigated in the National Motor Vehicle Crash Causation Survey.* (Traffic Safety Facts Crash Stats. Report No. DOT HS 812 115). Washington, DC: National Highway Traffic Safety Administration

channels of spectrum for safety. The FCC should take no action that could jeopardize the vehicle safety initiatives that the DOT is pursuing with this spectrum.

Mr. Chairman, the federal government must serve as a catalyst for technology development and deployment. Actions that delay or otherwise impede this progress are shortsighted.

CONCLUSIONS

Mr. Chairman, over the next decade, freight tonnage is projected to grow by more than 40 percent.[27] The trucking industry is expected to carry more than two-thirds of the Nation's freight in 2028. It will be tasked with hauling 3.2 billion *more* tons of freight in 2028 than it moved this year.[28] Without federal support and cooperation, the industry will find it extremely difficult to meet these demands at the price and service levels that its customers, American businesses, need to compete globally. It is imperative to our Nation's economy and security that Congress, working with the Administration, invest in critical highway freight infrastructure and make the reforms necessary to create an improved regulatory environment that fosters greater safety and efficiency in our supply chain.

The trucking industry, and especially truck drivers, understands the importance of safe and efficient highways like nobody else. Roads and bridges are our workplace, and we cannot properly serve the needs of the Nation if elected officials continue to allow highways to fall into greater neglect. The trucking industry already pays nearly half the user fees into the HTF and we are willing to invest more. To us and most Americans this is not an ideological debate. It is simply a decision about whether we make the investments necessary to remain competitive and prevent needless injuries and deaths or continue on the current path.

Mr. Chairman, on January 6, 1983, President Ronald Reagan, in signing into law legislation that increased the federal fuel tax, said:

> *Today . . . America ends a period of decline in her vast and world-famous transportation system . . . . [We] can now ensure for our children a special part of their heritage—a network of highways and mass transit that has enabled our commerce to thrive, our country to grow, and our people to roam freely and easily to every corner of our land.*

That bill was supported by 261 Members of the House, including a majority of both Republicans and Democrats. Roads and bridges know no political party...we all drive on them. It is time for elected officials to put aside partisan politics and regional differences and fulfill the promise to the American people expressed so eloquently by President Reagan.

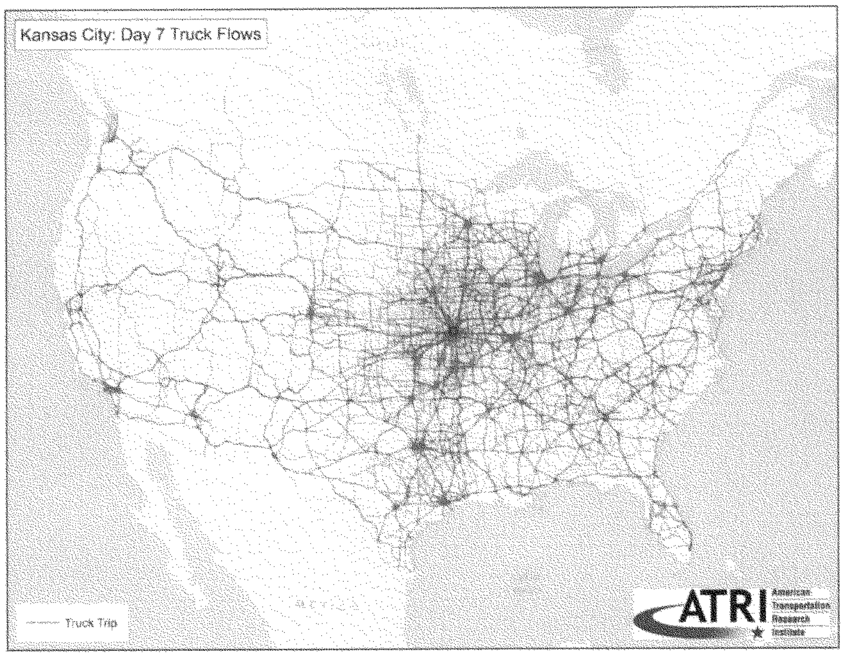
Thank you once again for the opportunity to testify on this important subject. We look forward to working with the subcommittee to advance legislation that enables the trucking industry to continue to provide safe and efficient services to its customers.

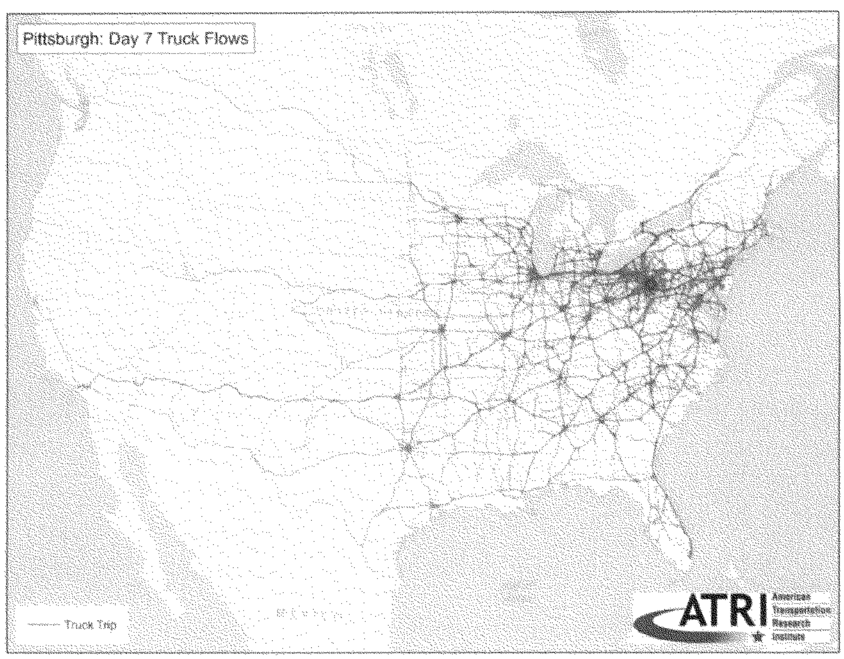
[27] *Freight Transportation Forecast 2017-2028.* IHS Global Insight, 2017.
[28] *Ibid.*

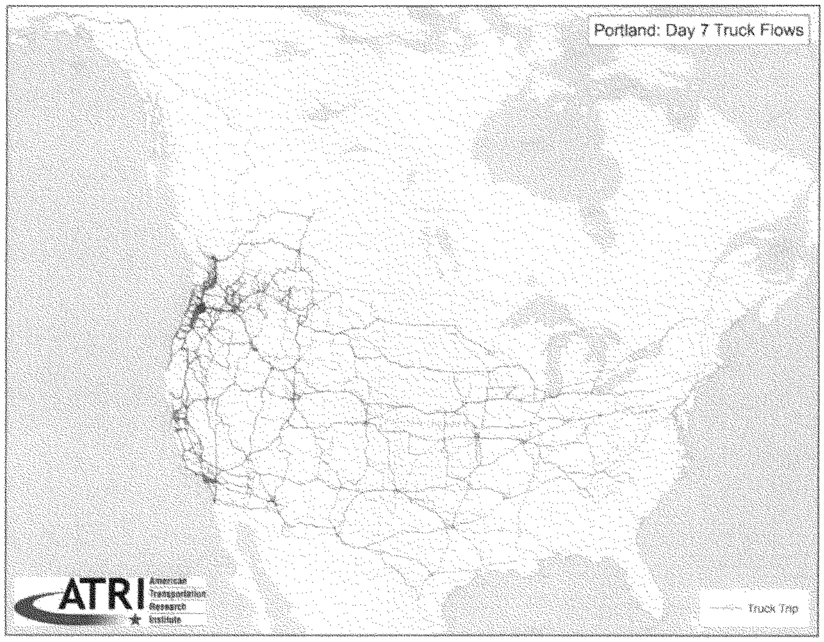
APPENDIX A: FUNDING IMPACT MATRIX - ANNUAL STATE-LEVEL JOB AND REVENUE INCREASES RESULTING FROM FEDERAL FUEL TAX INCREASES

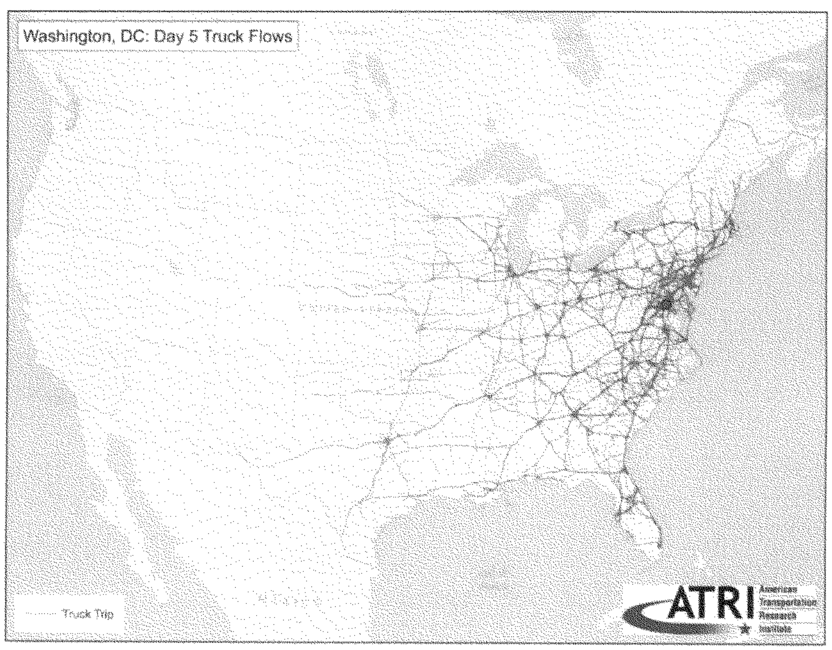
	Current Annual Allocation		Twenty Cent - Increase Federal Motor Fuels Tax Annual Benefits				Twenty Five Cent - Increase Federal Motor Fuels Tax Annual Benefits			
STATE	FAST ACT Apportioned Funds (in millions)	Percent of Total	Additional $30 Billion Federal Funding (in millions)	State Match (20%) (in millions)	Total New Funds (in millions)	# of Jobs	Additional $37.25 Billion Federal Funding (in millions)	State Match (20%) (in millions)	Total New Funds (in millions)	# of Jobs
ALABAMA	$ 770	1.9%	$ 581	$ 116	$ 697	9,067	$ 722	$ 144	$ 866	11,258
ALASKA	$ 509	1.3%	$ 384	$ 77	$ 461	5,992	$ 477	$ 95	$ 572	7,440
ARIZONA	$ 742	1.9%	$ 560	$ 112	$ 673	8,744	$ 696	$ 139	$ 835	10,857
ARKANSAS	$ 525	1.3%	$ 397	$ 79	$ 476	6,187	$ 492	$ 98	$ 591	7,682
CALIFORNIA	$ 3,723	9.4%	$ 2,812	$ 562	$ 3,374	43,862	$ 3,491	$ 698	$ 4,189	54,462
COLORADO	$ 542	1.4%	$ 410	$ 82	$ 492	6,390	$ 509	$ 102	$ 610	7,935
CONNECTICUT	$ 509	1.3%	$ 385	$ 77	$ 462	6,002	$ 478	$ 96	$ 573	7,453
DELAWARE	$ 172	0.4%	$ 130	$ 26	$ 156	2,022	$ 161	$ 32	$ 193	2,510
DIST. OF COL.	$ 162	0.4%	$ 122	$ 24	$ 147	1,907	$ 152	$ 30	$ 182	2,368
FLORIDA	$ 1,922	4.8%	$ 1,451	$ 290	$ 1,742	22,642	$ 1,802	$ 360	$ 2,163	28,114
GEORGIA	$ 1,310	3.3%	$ 989	$ 198	$ 1,187	15,430	$ 1,228	$ 246	$ 1,474	19,159
HAWAII	$ 172	0.4%	$ 130	$ 26	$ 155	2,021	$ 161	$ 32	$ 193	2,510
IDAHO	$ 290	0.7%	$ 219	$ 44	$ 263	3,418	$ 272	$ 54	$ 326	4,244
ILLINOIS	$ 1,442	3.6%	$ 1,089	$ 218	$ 1,307	16,990	$ 1,352	$ 270	$ 1,623	21,097
INDIANA	$ 967	2.4%	$ 730	$ 146	$ 876	11,387	$ 906	$ 181	$ 1,088	14,139
IOWA	$ 499	1.3%	$ 376	$ 75	$ 452	5,873	$ 467	$ 93	$ 561	7,292
KANSAS	$ 383	1.0%	$ 289	$ 58	$ 347	4,516	$ 359	$ 72	$ 431	5,607
KENTUCKY	$ 674	1.7%	$ 509	$ 102	$ 611	7,940	$ 632	$ 126	$ 758	9,859
LOUISIANA	$ 712	1.8%	$ 538	$ 108	$ 645	8,387	$ 668	$ 134	$ 801	10,414
MAINE	$ 187	0.5%	$ 141	$ 28	$ 170	2,206	$ 176	$ 35	$ 211	2,739
MARYLAND	$ 610	1.5%	$ 460	$ 92	$ 552	7,181	$ 572	$ 114	$ 686	8,917
MASSACHUSETTS	$ 616	1.6%	$ 465	$ 93	$ 558	7,258	$ 578	$ 116	$ 693	9,012
MICHIGAN	$ 1,068	2.7%	$ 807	$ 161	$ 968	12,582	$ 1,001	$ 200	$ 1,202	15,623
MINNESOTA	$ 661	1.7%	$ 500	$ 100	$ 599	7,793	$ 620	$ 124	$ 744	9,676
MISSISSIPPI	$ 491	1.2%	$ 370	$ 74	$ 445	5,780	$ 460	$ 92	$ 552	7,177
MISSOURI	$ 960	2.4%	$ 725	$ 145	$ 870	11,313	$ 900	$ 180	$ 1,081	14,047
MONTANA	$ 416	1.0%	$ 314	$ 63	$ 377	4,903	$ 390	$ 78	$ 468	6,088
NEBRASKA	$ 293	0.7%	$ 221	$ 44	$ 266	3,454	$ 275	$ 55	$ 330	4,289
NEVADA	$ 368	0.9%	$ 278	$ 56	$ 334	4,339	$ 345	$ 69	$ 414	5,388
NEW HAMPSHIRE	$ 168	0.4%	$ 127	$ 25	$ 152	1,974	$ 157	$ 31	$ 189	2,452
NEW JERSEY	$ 1,013	2.5%	$ 765	$ 153	$ 918	11,932	$ 950	$ 190	$ 1,140	14,816
NEW MEXICO	$ 372	0.9%	$ 281	$ 56	$ 338	4,389	$ 349	$ 70	$ 419	5,449
NEW YORK	$ 1,703	4.3%	$ 1,286	$ 257	$ 1,543	20,059	$ 1,597	$ 319	$ 1,916	24,907
NORTH CAROLINA	$ 1,058	2.7%	$ 799	$ 160	$ 959	12,464	$ 992	$ 198	$ 1,190	15,476
NORTH DAKOTA	$ 252	0.6%	$ 190	$ 38	$ 228	2,967	$ 236	$ 47	$ 283	3,684
OHIO	$ 1,360	3.4%	$ 1,027	$ 205	$ 1,232	16,019	$ 1,275	$ 255	$ 1,530	19,890
OKLAHOMA	$ 643	1.6%	$ 486	$ 97	$ 583	7,579	$ 603	$ 121	$ 724	9,411
OREGON	$ 507	1.3%	$ 383	$ 77	$ 459	5,973	$ 475	$ 95	$ 571	7,417
PENNSYLVANIA	$ 1,664	4.2%	$ 1,257	$ 251	$ 1,508	19,608	$ 1,561	$ 312	$ 1,873	24,346
RHODE ISLAND	$ 222	0.6%	$ 168	$ 34	$ 201	2,614	$ 208	$ 42	$ 250	3,245
SOUTH CAROLINA	$ 679	1.7%	$ 513	$ 103	$ 616	8,002	$ 637	$ 127	$ 764	9,936
SOUTH DAKOTA	$ 286	0.7%	$ 216	$ 43	$ 259	3,370	$ 268	$ 54	$ 322	4,185
TENNESSEE	$ 857	2.2%	$ 647	$ 129	$ 777	10,098	$ 804	$ 161	$ 965	12,539
TEXAS	$ 3,501	8.8%	$ 2,644	$ 529	$ 3,173	41,250	$ 3,283	$ 657	$ 3,940	51,219
UTAH	$ 352	0.9%	$ 266	$ 53	$ 319	4,150	$ 330	$ 66	$ 396	5,153
VERMONT	$ 206	0.5%	$ 155	$ 31	$ 187	2,425	$ 193	$ 39	$ 232	3,012
VIRGINIA	$ 1,032	2.6%	$ 780	$ 156	$ 935	12,161	$ 968	$ 194	$ 1,162	15,100
WASHINGTON	$ 688	1.7%	$ 519	$ 104	$ 623	8,101	$ 645	$ 129	$ 774	10,059
WEST VIRGINIA	$ 443	1.1%	$ 335	$ 67	$ 402	5,223	$ 416	$ 83	$ 499	6,485
WISCONSIN	$ 763	1.9%	$ 576	$ 115	$ 692	8,992	$ 716	$ 143	$ 859	11,165
WYOMING	$ 260	0.7%	$ 196	$ 39	$ 235	3,061	$ 244	$ 49	$ 292	3,801
TOTAL	$ 39,724	100.0%	$ 30,000	$ 6,000	$ 36,000	468,000	$ 37,250	$ 7,450	$ 44,700	581,100

APPENDIX B: TRUCK FLOWS AFTER 7 DAYS FROM CITY OF ORIGIN






Portland: Day 7 Truck Flows
ATRI
American
Transportation
Research
Institute
Truck Trip


Washington, DC: Day 5 Truck Flows
Truck Trip
ATRI
American
Transportation
Research
Institute

Building a 21st Century Infrastructure for America:
Long-Term Funding for Highways and Transit Programs
Wednesday, March 7, 2018, 10:00 a.m.
2167 Rayburn House Office Building
Washington, D.C.

Chris Spear, President and CEO, American Trucking Associations,
Responses to Questions for the Record

Submitted on behalf of Congressman Rick Larsen (WA-02):

1. In regards to wholesale versus retail, when charging at the rack how do you ensure that the unit of propane dispensed will be used for a vehicle as opposed to a non-vehicle?

ANSWER: Unlike gasoline and highway diesel fuel, which are subject to the federal fuel excise taxes when they are dispensed wholesale at the rack, the alternative fuels that are subject to federal fuel excise taxes, including propane, are taxed not at the rack but when they are placed into the fuel supply tank of a highway motor vehicle – that is, at the retail level rather than the wholesale level. See, IRS Publication 510, Excise Taxes, at p. 12.

Statement of the U.S. Chamber of Commerce

"Building a 21st Century Infrastructure for America:

Long-Term Funding for Highways and Transit Programs"

Edward L. Mortimer

Executive Director, Transportation Infrastructure

1615 H Street NW | Washington, DC | 20062

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96 percent of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Introduction

Good morning Chairman Graves, Ranking Member Norton, and members of the Subcommittee. My name is Ed Mortimer and I serve as the Executive Director for Transportation Infrastructure at the United States Chamber of Commerce. I also serve as the Executive Director of the Chamber-led Americans for Transportation Mobility Coalition (ATM), which includes business, labor and transportation stakeholders advocating for improved and increased federal investment in the nation's aging and overburdened transportation system.

The U.S. Chamber is the world's largest business federation. We represent the interests of over three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

Condition of the Nation's Surface Transportation Infrastructure

America's transportation network is a vast system that connects people and places, moves goods and drives our economy, and impacts our quality of life and safety. The country's transportation system is comprised of roads, bridges, public transit, airports, ports, and interchanges affecting thousands of communities and a myriad of industries and job sectors. It serves as the backbone of the nation's economy.

For almost 100 years, America's infrastructure has been the envy of the world. From the transcontinental railroads to electric streetcars, and from subways to the interstate highway system, our nation's history of providing state-of-the art infrastructure is impressive.

"Today, there are more than 4 million miles of road, 600,000 bridges, and 3,000 transit providers in the United States. And yet, over the past 20 years, total federal, state, and local investment in transportation has fallen as a share of Gross Domestic Product – while population, congestion, and maintenance backlogs have increased," according to the 2014 White House document titled: "An Economic Analysis of Transportation Infrastructure Investment."

As this subcommittee knows, America's infrastructure is aging and in dire need of modernization. The American Society of Civil Engineers, in its latest Infrastructure Report Card, graded the condition of our nation's infrastructure as a D-plus overall. The report also estimated that government needs to invest $2 trillion over current spending levels for the next 10 years to modernize the system. Our nation's highways were ranked a D and public transportation a D-minus. Bridges were only slightly better with a C-minus.

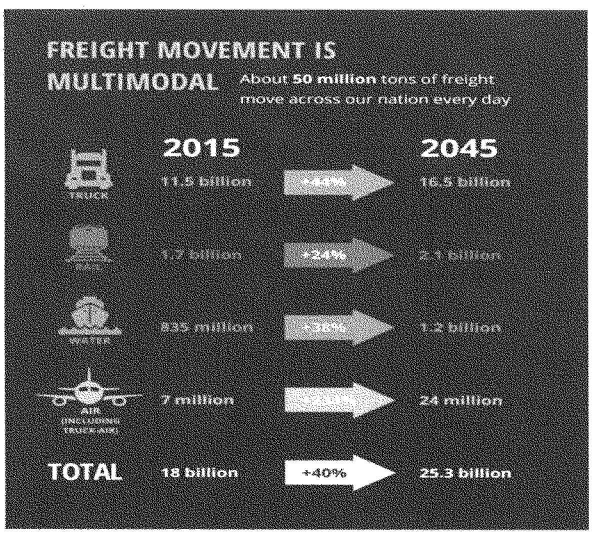
The most recent 2015 U.S. DOT conditions and performance report highlighted the current state of good repairs needed for highways and bridges at an estimated $830 billion. Of the total backlog, $394.9 billion (18.8 percent) is required for the Interstate System; $394.9 billion (47.2 percent) is for the National Highway System, and $644.8 billion (77.1 percent) is for Federal-aid highways.

This U.S. DOT report also stated the current state of good repair needs for public transit is at $89.8 billion.[1]

These challenges are significant, but they are not insurmountable.

Importance of System Conditions to Freight Movement

The nation's freight network continues to experience strain. In 2015, our nation's transportation system moved 18.1 billion tons of goods, worth $19.2 trillion.[2] A recent U.S. DOT report projects that the amount of freight traveling on our nation's transportation network will grow 40 percent over the next 40 years. The chart below shows the breakdown of those estimates by transportation mode:



Source: Beyond Traffic, U.S. Department of Transportation

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[1] 2015 Status of the Nation's Highways, Bridges, and Transit, U.S. Department of Transportation.
[2] Bureau of Transportation Statistics document titled "DOT Released 30-year Freight projection" (March 2016).

The nation's supply chain also is adapting to American consumers expecting quicker delivery of product. Supply-chain programs are moving from an inventory based "manufacture-to-supply" model to a "manufacture-to-order" model. Emerging technologies such as vehicle-to-vehicle and vehicle-to-infrastructure communications and autonomous vehicles need to have a transportation infrastructure able to allow these innovations to achieve the desired effort of maximizing the efficiency of the transportation network.

The Challenge Ahead

The *Beyond Traffic* report describes in detail what the future may hold for our changing population. The report finds that the U.S. population is expected to grow by 70 million people in the next 30 years. By 2045, the nation's economy is forecasted to grow by 115 percent and the transportation sector will represent $1.6 trillion of gross domestic product.

The same report shows investment in surface transportation is not meeting demand. For example, improving the condition and performance of highways and bridges over the next five years is estimated to cost $120 billion annually from all levels of government. Yet, we currently are investing only $83.1 billion. For public transportation, current investment is $17.1 billion annually, a far cry from the necessary $43 billion.

Work in 2017 Laid the Groundwork For Broader Infrastructure Modernization Debate

The Trump administration has been vocal about the need to rebuild and vastly improve our infrastructure, and Congress also has indicated its willingness to get to work on solutions. Without a doubt, it is time for our leaders in Washington to take charge and tackle the problem with stable funding and a long-term plan.

For years, the U.S. Chamber of Commerce has supported meaningful action to reinforce our once-unequalled infrastructure, and we've continued to offer a slate of potential solutions to prove it.

Last year, the Chamber laid out three overarching principles that the Administration and Congress should address in an infrastructure modernization debate:

- Legislation should focus on actual infrastructure projects whose completion can create greater potential for long-term economic growth.
- Legislation should employ a variety of funding mechanisms tailored to the various infrastructure project lines and, where possible, utilize existing federal programs.

- Additional financing and funding should be accompanied by reforms that increase accountability, maximize and expedite the use of scarce federal resources, and accommodate future needs.

We discussed these principles with this subcommittee and other members of the House and Senate during the year.

Chamber Refines Infrastructure Principles into Four Point Plan

In an effort to encourage prompt Congressional action on an infrastructure modernization bill, on January 18, 2018, the Chamber released a four-point infrastructure plan entitled, "Roadmap to Modernizing America's Infrastructure."

The U.S. Chamber's recommendations for an infrastructure package include:

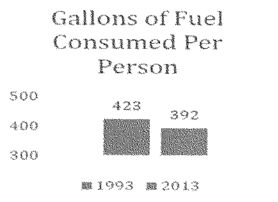
- Increasing the federal fuel user fee by 25 cents for surface transportation projects
- Implementing a multi-faceted approach for leveraging more public and private resources
- Streamlining the permitting process at the federal, state, and local level
- Expanding the American workforce through work-based learning and immigration reform

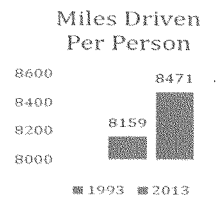
Modernizing America's Infrastructure Part 1: User Fee

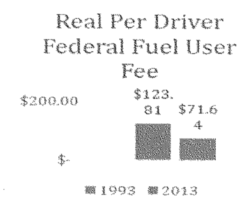
To rebuild and expand our roads, bridges, and transit systems, the Chamber believes it is time for a modest increase in the federal motor vehicle fuel user fee.

The user fee was last raised in 1993. Since then, inflation has eroded nearly 40 percent of the value of the user fee. In addition, vehicles are significantly more fuel-efficient than they were 25 years ago. As a result, motorists use less fuel to drive the same number of miles, and there is significantly less revenue to maintain the roads they drive on.

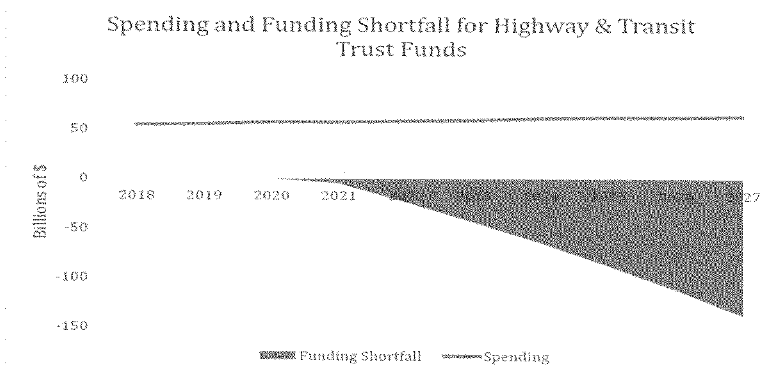
As the charts below indicate, relative to 1993, Americans are driving more, but using less gasoline. Add in the impact of inflation, and by 2013, drivers were contributing 42 percent less to support our federal road system even though they were driving 4 percent more miles.







Because of Washington's failure to adjust the user fee, the highway and transit trust fund faces a shortfall of $138 billion over the next decade, and that is just to continue today's insufficient levels of investment.



The U.S. Chamber of Commerce is calling for an increase of 5 cents a year in each of the next 5 years for a total of 25 cents. The proposal would include indexing the tax for inflation and for future increases in the fuel economy, so there would be no need to revisit this issue in the foreseeable future.

The proposal would raise $394 billion over the next 10 years, which would be invested in our highways, bridges, and transit systems in a fiscally responsible fashion. When combined with state, local, and private sector funds, this would go a long way towards modernizing the nation's once-great interstate system.

All this would cost the average American only about $9 a month in additional gas taxes. This figure, however, is dwarfed by the cost of inaction. According to one recent study,[3] drivers in urban and surrounding suburban areas incur $553 in additional vehicle operating costs as a result of driving on roads in need of repair. Congestion also is stealing time from American families. The average commute time to work has increased by 35 minutes a week between 1990 and 2015.

Many say that it is politically impossible to raise the gas tax. This is a fallacy.

Since 1993, 39 states have raised their own state motor fuel user fees. This includes red and blue states alike, including over the past several years: Indiana, Tennessee, South Carolina, Oregon, and New Jersey.

In the long run, we know that there is a need to look to other methods to pay for surface transportation investment. The vehicle fleet is becoming more fuel-efficient. Driving patterns are changing. Electric vehicles and alternative energy vehicles continue to be added to the system, and multi-modal transportation investment calls for more diversified sources of revenue. We have been following pilot programs looking at transitioning to vehicles miles traveled, such as in Oregon and other places. While progress is being made, we believe that national implementation of such a funding mechanism is at least 10 years away.

Highway Trust Fund Issues

The federal Highway Trust Fund (HTF) will run out of money after the Fixing America's Surface Transportation Act (FAST Act) expires in 2020. The primary reason we are underfunding our highways and transit systems is that the funding mechanism, the Highway Trust Fund, is experiencing an annual deficit of $15 billion in 2018 and will increase to $26 billion in 2027 (the last year estimated by the Congressional Budget Office).

Congress has made up for this shortfall in two ways. First, it has transferred $144 billion into the HTF since 2008 to prevent insolvency. Second, it has delayed and underfunded the maintenance of the country's roads, bridges, and mass transit systems.

The Congressional Budget Office estimates the HTF will need another $120 billion infusion to pass a six-year reauthorization that merely maintains spending levels.

[3] The Road Information Program, National Surface Transportation Fact Sheet.

With a growing federal deficit, the ability for Congress to continue to inject General Fund revenue into the HTF is limited. This is a major reason the Chamber supports the budget neutral mechanism of adjusting the federal fuel user fee and put those revenues into the HTF to address this issue.

Modernizing America's Infrastructure Part 2: Implementing a multi-faceted approach for leveraging more public and private resources

Outside of direct federal funding, the Chamber believes there is a great opportunity to encourage more successful private investment. From the I-495 Capital Beltway High-Occupancy Toll Lanes project in Fairfax County, Virginia, to the Port of Miami Tunnel, to the Eagle Public Transportation project in Denver, Colorado, and the 91 Express Lanes in Orange County, California, examples of successful, entrepreneurial, public-private projects are abound.

Many nations understand that in a globally competitive marketplace, private investment is a linchpin for economic development and innovation. Countries such as Saudi Arabia and Australia have expressed interest in investing in American infrastructure. Unfortunately, according to Prequin,[4] at the end of the first half of 2016, funds focusing on North American assets were sitting on $75 billion, still unused.

For now, we need to better leverage the tools that we have as we get down to business and develop policies that get this kind of equity off the sideline.

The Chamber believes communities should have a large toolkit of funding and financing options available for infrastructure projects. To that end, Congress should:

- Expand and improve existing federal loan programs covering transportation, water, and rail (e.g. TIFIA, WIFIA, and RRIF) to make it easier for the private sector to participate in infrastructure projects and leverage an average of $40 for every dollar of federal funding;
- Create a new loan / loan guarantee program to finance a broad array of infrastructure projects with loans to be repaid through dedicated public or private funding streams (the bipartisan proposal for a $50 billion fund leveraged 15:1 and thus supporting up to $750 in loans or guarantees is one possible model);
- Remove statutory and regulatory barriers to public-private partnerships;

[4] Pequin Report on 2016 Private Equity for Infrastructure.

- For example, federal law currently limits the number of airports that could be practically sold or leased to the private sector to 10 airports;
- The use of public private partnerships specifically should be authorized and encouraged with respect to federal assets with significant maintenance backlogs and the means of generating revenue or their own dedicated funding stream (such as waterways and dams);

- Create a discretionary grant program to stimulate competition and leverage state, local, and private sector funds for projects of national significance; and
- Expand private activity bonds by lifting the current cap of $15 billion.

Modernizing America's Infrastructure Part 3: Streamlining the permitting process at the federal, state, and local level

The permitting process for major infrastructure projects is broken. It can take longer to get government permits than it takes to construct a project. It takes on average approximately five years to complete an environmental impact statement, a federal requirement for many projects, and depending on the type of project, permitting can involve state and local approvals in addition to a myriad of federal permits.

It should never take more than two years to complete all federal permits required for an infrastructure project. We strongly support the Administration's August 2017 Executive Order that calls for "One Federal Decision" in a two-year time frame.

The Chamber believes this is an imminently achievable goal. Many of our global economic competitors, including Germany, Canada, and Australia, complete environmental permitting reviews in under two years—all while providing environmental protections equaling or exceeding those in the U.S.

We recognize and strongly support the work of this subcommittee in MAP-21 and the FAST Act to provide a more streamlined process for surface transportation projects, but more can be done.

It is critical that any infrastructure package include meaningful reforms to the federal environmental review and permitting processes.

The Chamber recommends the following common sense reforms:

- Merge sequential and duplicative federal environmental reviews;
- End duplication of previously completed environmental reviews and studies;

- Implement citizen suit reform to prevent misuse of environmental laws and ensure that post- approval lawsuits do not needlessly delay projects; and
- Codify the "One Federal Decision" approach so there is a single agency responsible for shepherding a project through the approval process.

In addition, projects that benefit from federal funding or financing should be subject to a similar requirement with respect to state and local permits: as a condition of receiving federal funds, states must agree to ensure the process should never take more than two years and should run concurrently with the federal permitting process.

The Chamber believes without regulatory reform of the permitting process from all levels of government, increased investment alone will not lead to the modern infrastructure network all Americans deserve.

Modernizing America's Infrastructure Part 4: Expanding the American workforce through work-based learning and immigration reform

Rebuilding America's infrastructure will require skilled workers ready and able to take on new projects. Yet today – before any major new investment in our infrastructure, 78 percent of construction firms report that they are having a hard time finding qualified workers.
The USG+U.S. Chamber of Commerce Commercial Construction Index has found that, though demand for new projects increases, a majority of contractors struggled to find skilled workers in 2017 and anticipate facing the same challenge in 2018.

In 2017, there was an average of 192,000 unfilled construction job openings per month (through November). That is up 119 percent from an average of 88,000 openings a month five years ago.

If we do not expand the construction workforce, it will be impossible to move ahead with the projects that need to be undertaken. Congress and the Administration must take key steps to help address the worker shortage. To increase the number of skilled workers, policymakers should:

1. **Reauthorize the Carl D. Perkins Career and Technical Education (CTE) Act** – Capitalize on the opportunity to update the long-overdue Perkins Act to modernize our nation's K-12 and community college career and technical education programs, which are a key source of talent and a driver for young adults to pursue careers in the growing construction industry.

2. **Leverage the Workforce Innovation and Opportunity Act (WIOA)** – Use WIOA, reauthorized in 2014, to expand the national network of sector-based construction partnerships so that public workforce training funds and incentives can be utilized to grow America's construction workforce.
3. **Modernize America's Apprenticeship System** – Advance the recommendations of the Apprenticeship Task Force, as convened by President Trump's Executive Order in 2017, to support the business sector as they build new opportunities for earn and learn pathways, including within the construction industry .

It is also important that we keep the skilled workers currently in the workforce thanks to programs like Deferred Action for Childhood Arrivals (DACA) and Temporary Protective Status (TPS). Approximately 41,000 DACA recipients are employed in the construction industry, as are approximately 51,000 TPS beneficiaries. Congress should act now to ensure that these workers can continue to live and work in this country. Ultimately, Congress needs to enact immigration reform so that we can attract and admit the skilled workers our nation needs.

Conclusion

The bottom line is that the time to make important infrastructure investments is NOW. Delaying action only makes the decisions more difficult and projects costlier. From the business community's perspective, the question is not if we need to make these decisions, but when.

The Chamber strongly supports federal investment in highways and public transportation. We need a smooth flowing, efficient multi-modal national transportation network that will support the transportation needs of businesses from origin to destination across the globe, and from the factory to the corporate headquarters to main street retailers to medical centers.

From all levels of government, there is no single funding solution that will solve all of our infrastructure problems. The Chamber believes communities should have a large toolkit of funding and financing options available that can be utilized to provide the infrastructure needed, not just to succeed, but to lead the world in providing economic and social mobility. Improving our current infrastructure will be a key component in modernizing many parts of the country. The Chamber and the ATM Coalition are committed to working with elected officials to ensure our nation provides an infrastructure that keeps up with the changing times.

Here's the bottom line: a long-term federal infrastructure modernization program, followed by greater investment by state, local, and private stakeholders, can engender the partnership necessary to ensure our nation has a 21st-century infrastructure network. But without a serious commitment from federal lawmakers, it's going to be difficult to make the kind of progress demanded by the challenges we're facing.

Thank you for the opportunity to testify today. The Chamber as well as the ATM Coalition look forward to working with this subcommittee to provide the tools necessary to modernize America's highway and public transportation network, stabilize the HTF, and grow investment in this nation's transportation infrastructure so each state and region can get out of the system what they need to be successful – whether that is moving freight or their employees.

United States House Committee on Transportation and Infrastructure
Subcommittee on Highways and Transit
Building a 21st Century Infrastructure for America: Long-Term Funding for Highways and Transit Programs

Wednesday, March 7, 2018

Edward L. Mortimer, Executive Director, Transportation Infrastructure, U.S. Chamber of Commerce, Responses to Questions for the Record

Submitted on behalf of Congressman Rick Larsen

1. According to the U.S. Energy Information Administration, new on-road vehicle fuel economy for passenger cars is projected to increase 43 percent by 2025 (to 45 mpg).

   - How will the increase in fuel efficiency impact the revenue generated by the gas tax going forward?
   - More efficient vehicles will lead to reduced demand from drivers at the pump – do you anticipate this will affect the price elasticity of gasoline?
   - Do you believe these anticipated shifts support looking at different long-term funding sources for highways and transit projects in the future?
   -

   ANSWER: According to a report released by the Congressional Research Service (https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/05-02-CAFE_brief.pdf), the increase in fuel economy standards would gradually decrease fuel consumption, eventually reducing revenues from the gasoline tax by 21 percent in 2040. At the same time, the Department of Transportation recently reported a record number of vehicles miles traveled on all roads and streets changed by 0.4 percent (0.9 billion vehicle miles) for January 2018 as compared with January 2017. Travel for the month is estimated to be 245.5 billion vehicle miles. The 12-month moving average was up 0.16 percent month-over-month and 1.2 percent year-over-year (https://www.fhwa.dot.gov/policyinformation/travel_monitoring/tvt.cfm).

   Therefore, while more efficient vehicles will have a negative impact on revenues collected into the Highway Trust Fund, vehicles miles traveled are expected to continue to grow as both freight and population increase.

   The Chamber believes that in the long-term, other options other than gasoline and diesel taxes should be considered. We are following the pilot projects for vehicles miles traveled programs in California, Oregon and several other states. That being said, at the March 7 hearing, Colorado Department of Transportation Executive Director Michael Lewis, who also is with the Western Road Use Charge Consortium (RUC West), stated at the hearing that he felt the ability to implement vehicle miles traveled mechanism is at least 10 years away.

   Therefore, the Chamber believes that for the foreseeable future, gasoline and diesel will continue to be the predominant energy source for the vehicles and while an increase is the user fee is needed now to modernize roads, bridges and transit systems.

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Testimony prepared for the Subcommittee on Highways and Transit, Transportation and Infrastructure Committee, U.S. House of Representatives

For a hearing on "Building a 21st Century Infrastructure for America—Long-Term Funding for Highways and Transit Programs"

Testimony • By Thea M. Lee • March 7, 2018

Thank you to Chairman Sam Graves and Ranking Member Eleanor Holmes Norton for inviting me to join the witness panel today and to speak with you about these important issues. My name is Thea Lee and I am the president of the Economic Policy Institute (EPI), the nation's premier think tank for analyzing the effects of economic policy on the lives of America's working families. EPI has consistently and repeatedly advocated for a substantial increase in investment in the nation's infrastructure in light of the extraordinary benefits this would bring to the U.S. economy, to workers, and to business.

Thank you for holding this important hearing today. The first step to ensure a healthy national infrastructure is keeping things from deteriorating. Allowing the Highway Trust Fund to become progressively underfunded in the coming decade would do great damage. The federal gas tax, which funds the HTF, is not indexed to inflation and hasn't been increased since 1993; this means that the purchasing power of the HTF's dedicated revenue source has been slowly declining. Since then, Congress has used general revenues to cover the gap between HTF project funding and the decaying value of its revenue source. The cumulative shortfall facing the HTF will reach $138 billion by fiscal year 2027.[1] To ensure that HTF has resources to fund planned expenditures, the current gas tax should be raised or a new dedicated revenue source for the HTF should be found.

But we should be clear that keeping the *status quo* by finding a funding source for the HTF is far from adequate infrastructure policy. There is broad agreement that the current state of U.S. infrastructure is deeply deficient due to past neglect and underinvestment. For this reason, the U.S. economy would benefit greatly from a substantial increase in infrastructure investment. The American Society of Civil Engineers (ASCE) most recently put the 10-year infrastructure funding gap—the additional investment needed to maintain a state of good repair—at about $2.1 trillion.[2] This estimate is for maintenance only; it doesn't even include the imperative to modernize and upgrade our transportation, energy, and water systems.

Our research at EPI indicates strongly that reversing this chronic underinvestment in infrastructure will require a strong federal role and a commitment of federal resources. Currently, we rely heavily on state and local governments to finance a large share of infrastructure—particularly highways and transit. This heavy reliance on state and local governments is the strategy that has led us to the current situation, which virtually everybody agrees is suboptimal. Doing better going forward will require a stronger federal role and a significant commitment of federal resources.

Below I highlight some of the findings from our past research. Specifically, this research finds:

- Infrastructure done right would boost job creation as well as the long-run productivity of the American economy.
- The first step to doing infrastructure right is fixing the Highway Trust Fund (HTF). The most important issue is simply ensuring that the trust fund has the resources to fund its planned expenditures. The past practice of using gasoline taxes for the HTF is a perfectly sound strategy. Strategies that call for other funding sources that approximate user fees (like vehicle miles traveled [VMT] taxes) are also reasonable. But the most important goal is simply to provide the resources needed to keep highway and transit investments from being strangled.
- Doing infrastructure right will require a strong federal role and federal commitment of resources for the following reasons:
    - There is no free lunch, or road, or bridge. American households will, in the end, pay for improved infrastructure—either through higher taxes or through user fees and tolls. Too often, advocates of "leveraging the private sector" (via public-private partnerships, or P3s) obscure or underplay this basic economic truth.
    - The federal government provides some key advantages to financing over private actors and even over state and local governments. The clearest advantage is that the interest rate paid on federal debt is lower than what is available to private actors or states. This means long-term debt financing is cheaper for the federal government.
    - Despite this potential federal government advantage, our current mix of infrastructure funding and financing leans much more heavily on state and local governments.
    - There is no economic basis to the glib arguments that state and local provision of

infrastructure is more efficient simply because these levels of government are "closer" to end users. Economic efficiency depends on the funding mechanism, not the level of government.

- Because state and local governments are not incentivized to take account of externalities or regional spillovers, they may underinvest in key infrastructure projects.
- Federally funded infrastructure investment is more likely to incorporate requirements for strong labor standards—ensuring that it supports good jobs with good wages. Plans that lean more heavily on private financing should not be used as an excuse to ignore labor standards, because if they did then these plans would likely see fewer good jobs created through infrastructure investments. Infrastructure projects that pay good wages have durable benefits for communities and local tax bases, unlike those that seek to undermine decent wages and standards.

Background: The large macroeconomic benefits of infrastructure done right

The United States economy has suffered from two glaring macroeconomic problems over the past decade. The first is a severe and chronic shortfall of spending by households, businesses, and governments relative to the economy's productive potential (i.e., a shortfall of *aggregate demand*). This demand shortfall has slowed growth in both jobs and wages for most of the past 10 years. The second problem is a rapid deceleration in the pace of productivity growth. Productivity is the amount of income (or output) generated in an average hour of work. Productivity growth in turn provides the potential ceiling for how fast average income can rise without spurring inflation.

These are both serious problems, and policymakers should be concerned with each. A large, sustained increase in infrastructure investment would be an effective way to address both. Previous EPI research (Bivens 2017) found:[3]

- **Infrastructure investment could be an extraordinarily useful tool for macroeconomic stabilization.** Most estimates of the output "multiplier" for infrastructure investment are substantially higher than for other fiscal interventions. If the fiscal boost of infrastructure investment were accommodated by monetary policymakers, each $100 billion in infrastructure spending would boost job growth by roughly 1 million full-time equivalents (FTEs).
- While unemployment in 2017 was roughly on par with its pre–Great Recession level, this does not mean policymakers should stop worrying about macroeconomic stabilization and maintenance of aggregate demand. **Growing fears of "secular stagnation"—a chronic shortfall of aggregate demand relative to the economy's productive capacity—seem justified by several data points.** Key among them is the unusually slow growth in nominal wages this late into an economic recovery.
- **Productivity growth has decelerated sharply in recent years**. Much of this

deceleration is likely short-lived, and tighter labor markets should be expected to push productivity growth back toward more historically normal levels. Since infrastructure investment can lead to these tighter labor markets, it could have an immediate effect in restoring productivity growth.

- Further, and more important, **a greater public infrastructure investment effort can also boost productivity in the long run by expanding the public capital stock**. The rate of return to infrastructure investment is large; according to a review of dozens of studies on infrastructure, each $100 spent on infrastructure boosts *private-sector* output by $13 (median) and $17 (average) in the long run.

Other research (Bivens and Blair 2016) has pointed out that the potential job-creation benefits of infrastructure investment are more widespread and broader in impact than commonly thought.[4] Bivens and Blair show that roughly two-thirds of the total jobs supported by a given investment in infrastructure are outside construction.[5] Some of these jobs are supported in supplier industries (steel and concrete, for example), while others are "induced" jobs—jobs supported when workers employed directly and in supplier industries spend their paychecks in other sectors.

These large potential benefits from infrastructure investment are why we at EPI have called for years for this investment to be a federal priority.

Lessons for how to make infrastructure investment effective

While a sustained increase in infrastructure investment could bring potentially large benefits to America's working families, too many current plans being debated would squander this potential. The evidence indicates clearly that strong federal leadership and a strong federal commitment of resources are needed to make the nation's infrastructure healthy. It also matters how infrastructure investment is implemented. Below we review the arguments and evidence that lead us to this conclusion.

Funding versus financing

Infrastructure spending involves two distinct aspects: *funding* and *financing*. Funding refers to how infrastructure is paid for, which in practice will be through some combination of user fees and taxes. A defining characteristic of infrastructure investment is large upfront fixed costs, so that the bulk of money is needed at the outset, while funding sources may materialize slowly and over time. *Financing* bridges this gap between upfront spending needs and the ongoing stream of funding—structuring user fees and taxes in a way that allows upfront costs to be paid over time. Proposals that rely on shifts in financing will not address the challenge of finding a solution to long-term funding.[6]

World class infrastructure will require a strong federal role

If U.S. infrastructure is to be world class, a strong federal role will be necessary. Currently, state and local governments take on the bulk of infrastructure spending. According to the Congressional Budget Office (CBO), state and local governments accounted for 77 percent of total public spending on transportation and water infrastructure in 2014. They take on their largest role in operations and maintenance, where they account for 88 percent of such spending. However, they are also the majority partner in capital investment, accounting for 62 percent.[7]

The current system is one in which the responsibility for funding infrastructure has been largely left to the state and local governments. This is the system that has led us to where we are today, which most agree is inadequate. Any plan that doubles down on this approach and puts still more of the onus on state and local governments for finding infrastructure funding will not address our long-term infrastructure needs. Devolving this financial responsibility to the states does nothing to ensure that adequate funds will be available. State and local governments continue to face their own financial challenges. Some of this is purely political, with state governments refusing to adequately fund infrastructure (as well as other pressing public priorities) simply for ideological reasons. But states also face genuine economic and legal constraints that can make it harder for them to borrow money at the scale needed to finance a world-class infrastructure. The federal government's financing constraints are far less binding.

Economic efficiency depends most strongly on the funding mechanism, not on the level of government

Strict economic efficiency argues that infrastructure investment should be funded by those who use it. This insight has occasionally been used to argue that the federal government should only fund projects that benefit the nation as a whole, while projects that wholly benefit a particular state or locality should be left to their respective governments.[8] Often, this is the line of thinking used to argue for assigning further infrastructure funding responsibilities to state and local governments.

But this reasoning for assigning federal, state, and local government roles is a bad approximation of efficiency. It ignores funding mechanisms, which play the much more important role in ensuring economic efficiency.

The gas tax provides a clear example for the role funding mechanisms can play in ensuring economic efficiency. Historically, the gas tax has been used to fund surface transportation infrastructure because of its ability to approximate road usage. However, as the number of hybrid and electric vehicles increases, the gas tax's usefulness as an approximation of road usage declines. If a road is funded by just a gas tax, then electric vehicle drivers can obtain all the benefits of road usage while incurring none of the costs.

User fees are a far better guarantor of economic efficiency than simply assigning certain levels of government to different infrastructure project types. For example, the benefits of a local road may largely be enjoyed by local residents, but there will be a leakage of benefits to nonlocal residents and the correspondence between geography and efficiency of infrastructure breaks down quickly.[9] For example, if a local income tax was used to fund the local road this cost would only fall on local residents, but we would expect some nonlocal households to receive benefits from the road without paying for them. For example, if the road is used to transport a consumer good from a local company to a nonlocal consumer, then nonlocal consumers will have benefited from the road while not paying for its usage. Because some beneficiaries are not bearing the cost, we would expect these local roads would eventually be underprovided if their construction is reliant only on local resources. Whereas a direct user fee would ensure that beneficiaries bear the cost (through an increase in shipping costs). And no matter which level of government has assigned the user fee, it remains the more efficient option.

In short, there is no compelling efficiency-based reason to think that the current practice of having state and local governments take a dominant role in infrastructure management is optimal. Once this argument is set aside, the affirmative case for a stronger federal role becomes undeniable.

Externalities imply a strong role for federal government

The previous section discussed why efficiency does not dictate that state and local governments should bear the funding and financing burden of mostly local projects. But there is also an affirmative case for a strong federal role. This is because infrastructure is usually part of a network—e.g., our nation's roads, bridges, airports, waterways, and broadband. These network characteristics create externalities—benefits or harms that fall on third parties to an economic transaction. In order to maximize economic efficiency, externalities must be taken into account.

Network effects, where the benefit of a good or service increases with the number of users in the network, are one example. For examples, think of the nation's telephones, airports, and broadband. State and local governments will not internalize the benefit extra investments confer on nonlocal others in the network by providing an additional node. This failure to internalize these benefits means that if state and local governments are left alone to fund infrastructure with network effects, it will likely end up underprovided.

Spillover effects provide another externality-driven reason why a strong federal role is needed to ensure infrastructure is not underprovided. Infrastructure investments in one city may provide benefits to those connected to it in a network, or may draw in economic activity from connected cities, having negative effects on those cities. As before, state and local governments will not internalize these effects, and this in turn implies that the federal government may be in a better position to ensure efficiency. Economic evidence so far suggests that spillover effects are substantial.[10] This puts the federal government in the optimal position to increase the efficiency of infrastructure investment by helping to coordinate those investments that result in positive spillovers and discouraging those projects with negative spillovers.

Mass transit provides one instance where a substantial federal investment could provide spillover effects. Public transportation serves as a lifeline for many low-income urban residents who do not have access to a car.[11] There is evidence that mass transit can reduce traffic congestion, while highway capacity expansions provide only temporary relief to congestion.[12] [13] Public transportation also has environmental benefits, from improved air quality to reduced greenhouse gas emissions.[14] This means that mass transit can mitigate environmental externalities and provide spillover effects that can sometimes cross state lines. This puts the federal government in a position to coordinate investments to ensure positive spillovers. Finally, there is strong evidence that agglomeration economies increase the productivity of cities.[15] It is hard to imagine modern American cities could exist without mass transit, and every indicator argues that mass transit will have to be expanded for American cities to absorb those workers wanting to move to them. Insufficient mass transit investments will strangle the ability of high-productivity cities to grow, and mass transit investments in turn will suffer without strong federal commitments.

Finally, infrastructure networks act as intermediate goods in the production process of firms. Problems in electricity generation or transportation will not confine themselves to those sectors, but will instead have knock-on effects that reduce output throughout other sectors of the economy. Maintaining economic efficiency means ensuring consistent quality throughout the system—a chain is only as strong as its weakest link. For example, if one state doesn't maintain its transportation infrastructure, truck drivers may have to avoid those roads or else damage their vehicles, which will have productivity repercussions in the sectors of the economy that rely on trucking. Again, ensuring consistent quality in infrastructure across regions calls for a stronger federal role.

A strong federal role provides the best potential protection for vital labor standards

For several decades now, wages for the vast majority of American workers have lagged far behind overall economic growth and productivity. What we now know from years of research at EPI is that this delinking of wage and productivity growth is not just some sad accident, but is instead the product of a decades-long policy project aimed precisely at wage suppression. This policy assault on wage growth was not one single piece of legislation. Instead it was a concerted effort to reduce workers' economic leverage and ability to bargain for higher wages along every policy margin. Macroeconomic policy kept labor markets too slack for workers to credibly threaten to quit unless their wages were hiked; the federal minimum wage stagnated and shrank in the face of price inflation; labor law enforcement failed to keep the playing field level for workers trying to organize, while employers undertook ever more aggressive tactics to thwart them; trade policy exposed workers to fierce global competition while providing greater protections for corporate profits; and regulatory and tax policies gave corporate managers greater incentive and ability to claim a larger share of the income that their firms generated.

Since intentional wage suppression occurred along dozens of margins, a campaign to raise Americans' pay must also be fought along every margin possible. One key margin is labor protections that have traditionally covered workers engaged in infrastructure investments. These protections help to ensure that contractors do not engage in a race to the bottom on wages and benefits. They also help ensure that contractors receiving public funds contribute resources to help train and expand the skilled construction workforce. The most well-known and important infrastructure-related labor standard is, of course, the

Davis-Bacon Act's prevailing wage provision, which protects community wage and benefit standards for all construction workers on federally funded projects.

Public infrastructure investments that contain strong labor protections can be an arrow in the quiver of attempts to reverse the era of wage stagnation for America's workers. Infrastructure plans that are managed and financed by private actors are less likely to contain strong labor protections, and hence represent an opportunity squandered when it comes to using public investment to restore broadly shared prosperity.

Finally, a strong federal role also provides the best opportunity for making sure that best practices in inclusive hiring are followed as contractors bid on projects. In the past, communities of color were too often formally excluded from the employment generated by public investment. Recent improvements in this regard must be built upon and extended.[16]

Conclusion: The status quo must be fixed

We know that the current *status quo*, where state and local governments are required to bear the brunt of infrastructure funding, is failing to meet our long-term infrastructure needs. Fixing this state of affairs is the most obvious way to put U.S. infrastructure investment back on track. Given this, any plan that doesn't put up significant new federal commitment of resources should be viewed as a distraction from the real issue at hand.

This includes vague promises to leverage public-private partnerships (P3s). P3s provide an alternative *financing* option for infrastructure, but do not provide any *funding*. Private partners will not build infrastructure for free. They invest only in return for a future revenue stream. This revenue must come from some combination of taxes or user fees, meaning that P3s do nothing to address the funding question. And the natural monopoly characteristics of infrastructure mean that P3s come with their own set of problems and do not avoid the need for an engaged public role.[17] Because P3s are no free lunch and because state and local governments already bear a too-large burden for the nation's infrastructure investment, new plans must include substantial new sources of federal funding.

Additional distractions from this central fact include plans that emphasize changes to the environmental review process. These plans tend to claim benefits from rolling back environmental regulations that are vastly overstated and rely on data on project completion that is significantly out of date.[18] For example, between 2012 and 2016, the average time needed to complete Environmental Impact Statements (EIS) under the National Environmental Policy Act (NEPA) fell to 3.6 years. This fall in the review time was driven by reforms included in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) of 2005 as well as subsequent transportation reauthorizations.[19] More importantly, only 4 percent of approved Federal Highway Administration projects required completing an EIS at all.[20]

The central problem facing the nation's infrastructure is an insufficient commitment of federal resources. Nothing else besides this strong federal commitment will fix our public investment shortfall, and plans focusing on other issues are distractions. Fixing the

Highway Trust Fund (HTF) is an important step that nevertheless just keeps the status quo from getting worse. We need to aim much higher than this.

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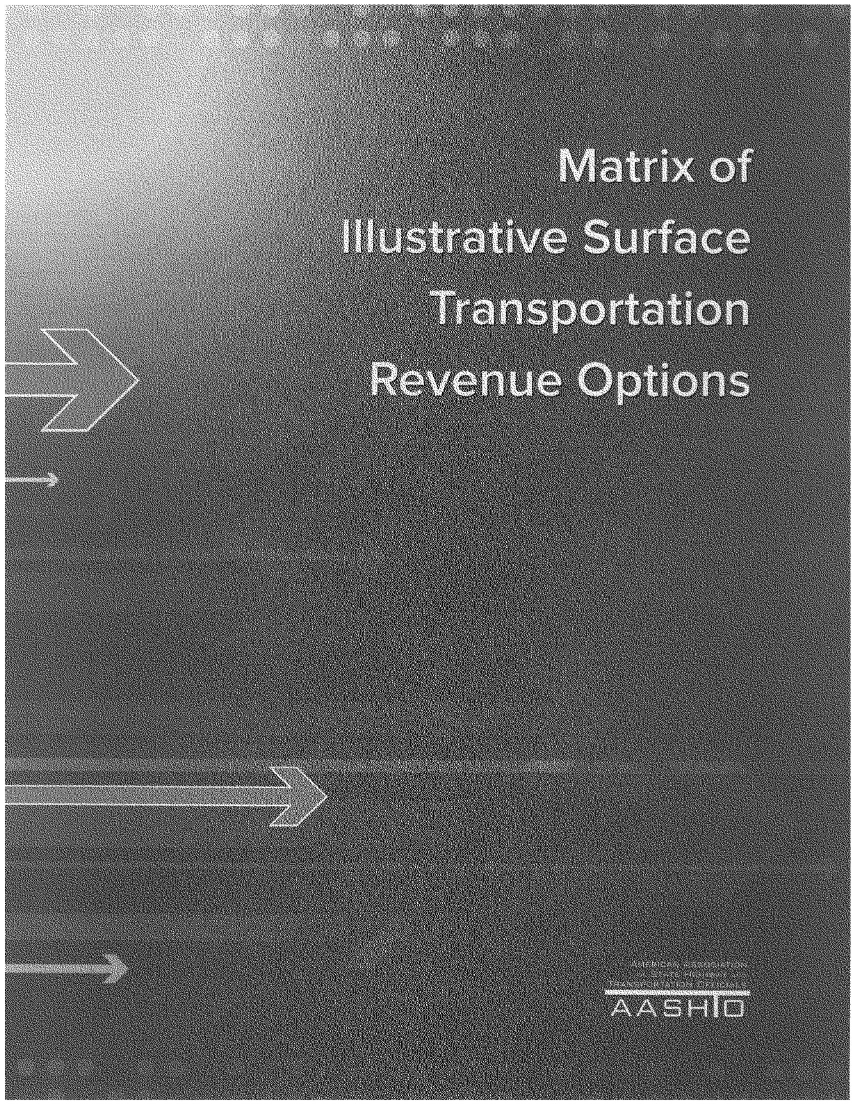

Matrix of
Illustrative Surface
Transportation
Revenue Options
American Association of State Highway and Transportation Officials
AASHTO

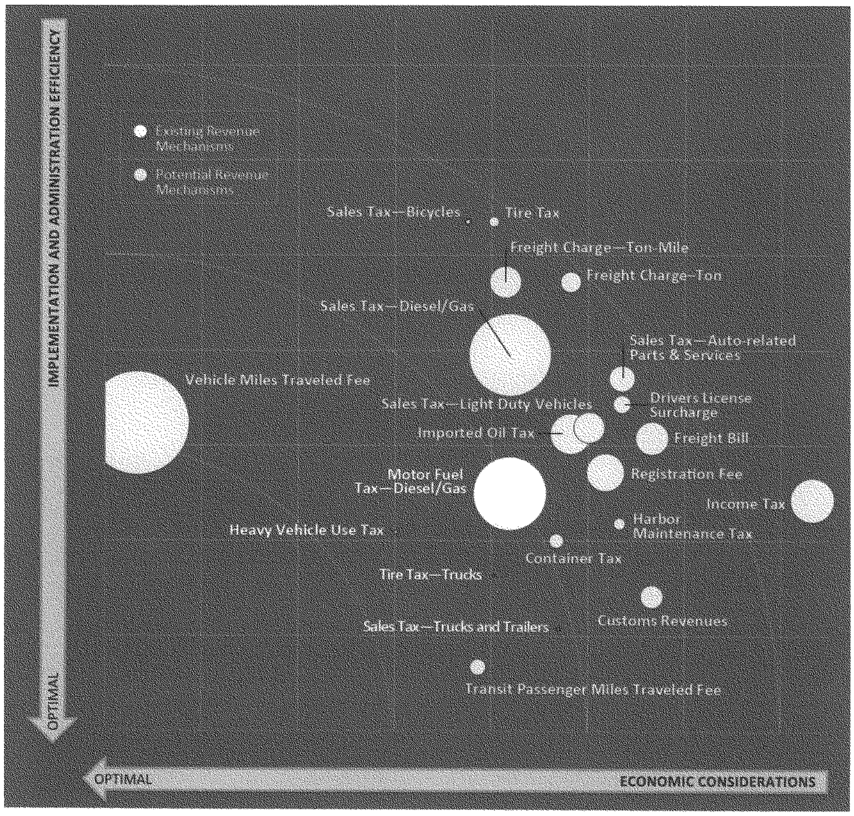
Matrix of Illustrative Surface Transportation Revenue Options

Existing Highway Trust Fund Revenue Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	$ in Billions: Assumed 2014 Yield	$ in Billions: Total Forecast Yield 2015–2020
Motor Fuel Tax—Diesel	15.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	$6.54	$41.79
Motor Fuel Tax—Gas	10.0¢	¢/gal increase in current rate (approx. 10% increase in total rate)	$13.21	$78.12
Heavy Vehicle Use Tax	50%	Increase in current revenues, structure not defined	$0.55	$3.42
Sales Tax—Trucks and Trailers	10%	Increase in current revenues, structure not defined	$0.33	$2.19
Tire Tax—Trucks	10%	Increase in current revenues, structure not defined	$0.04	$0.23

Potential Highway Trust Fund Revenue Mechanisms	Illustrative Rate or Percentage Increase	Definition of Mechanism/Increase	Assumed 2014 Yield*	Total Escalated Yield 2015–2020*
Container Tax	$15.00	Dollar per TEU	$0.66	$4.26
Customs Revenues	5.0%	Increase in/reallocation of current revenues, structure not defined	$1.80	$11.66
Drivers License Surcharge	$5.00	Dollar annually	$1.08	$6.98
Freight Bill—Truck Only	0.5%	Percent of gross freight revenues (primary shipments only)	$3.07	$19.90
Freight Bill—All Modes	0.5%	Percent of gross freight revenues (primary shipments only)	$3.80	$24.60
Freight Charge—Ton (Truck Only)	10.0¢	¢/ton of domestic shipments	$1.17	$7.54
Freight Charge—Ton (All Modes)	10.0¢	¢/ton of domestic shipments	$1.44	$9.29
Freight Charge—Ton-Mile (Truck Only)	0.10¢	¢/ton–mile of domestic shipments	$1.41	$9.15
Freight Charge—Ton-Mile (All Modes)	0.10¢	¢/ton–mile of domestic shipments	$3.48	$22.52
Harbor Maintenance Tax	25.0%	Increase in/reallocation of current revenues, structure not defined	$0.43	$2.79
Imported Oil Tax	$2.50	Dollar/barrel	$5.76	$37.28
Income Tax—Business	1.0%	Increase in/reallocation of current revenues, structure not defined	$2.79	$18.06
Income Tax—Personal	0.5%	Increase in/reallocation of current revenues, structure not defined	$6.70	$43.36
Motor Fuel Tax Indexing to CPI—Diesel	–	¢/gal excise tax	–	$5.22
Motor Fuel Tax Indexing to CPI—Gas	–	¢/gal excise tax	–	$10.87
Oil, Gas, and Minerals Receipts	25.0%	Increase in/reallocation of current revenues, structure not defined	$2.20	$14.25
Registration Fee—Electric LDVs	$100.00	Dollar annually	$0.01	$0.06
Registration Fee—Hybrid LDVs	$50.00	Dollar annually	$0.17	$1.12
Registration Fee—Light Duty Vehicles	$15.00	Dollar annually	$3.57	$23.11
Registration Fee—Trucks	$150.00	Dollar annually	$1.63	$10.54
Registration Fee—All vehicles	$20.00	Dollar annually	$4.98	$32.21
Sales Tax—Auto-related Parts & Services	1.0%	Percent of sales	$2.32	$15.04
Sales Tax—Bicycles	1.0%	Percent of sales	$0.06	$0.38
Sales Tax—Diesel	7.6%	Percent of sales (excl. excise taxes)	$9.65	$62.50
Sales Tax—Gas	5.6%	Percent of sales (excl. excise taxes)	$24.05	$155.66
Sales Tax—New Light Duty Vehicles	1.0%	Percent of sales	$2.41	$15.61
Sales Tax—New and Used Light Duty Vehicles	1.0%	Percent of sales	$3.46	$22.40
Tire Tax—Bicycles	$2.50	Dollar per bicycle tire	$0.08	$0.53
Tire Tax—Light Duty Vehicles	1.0%	Of sales of LDV tires	$0.33	$2.12
Transit Passenger Miles Traveled Fee	1.5¢	¢/passenger mile traveled on all transit modes	$0.84	$5.45
Vehicle Miles Traveled Fee—Light Duty Vehicles	1.0¢	¢/LDV vehicle mile traveled on all roads	$27.12	$175.58
Vehicle Miles Traveled Fee—Trucks	4.0¢	¢/truck vehicle mile traveled on all roads	$10.93	$70.73
Vehicle Miles Traveled Fee—All Vehicles	–	¢/vehicle mile traveled on all roads	$38.05	$246.31

** Base annual yield escalated using CPI-U.*

Policy Optimality Considerations for Federal Revenue Options ***($ in billions)***

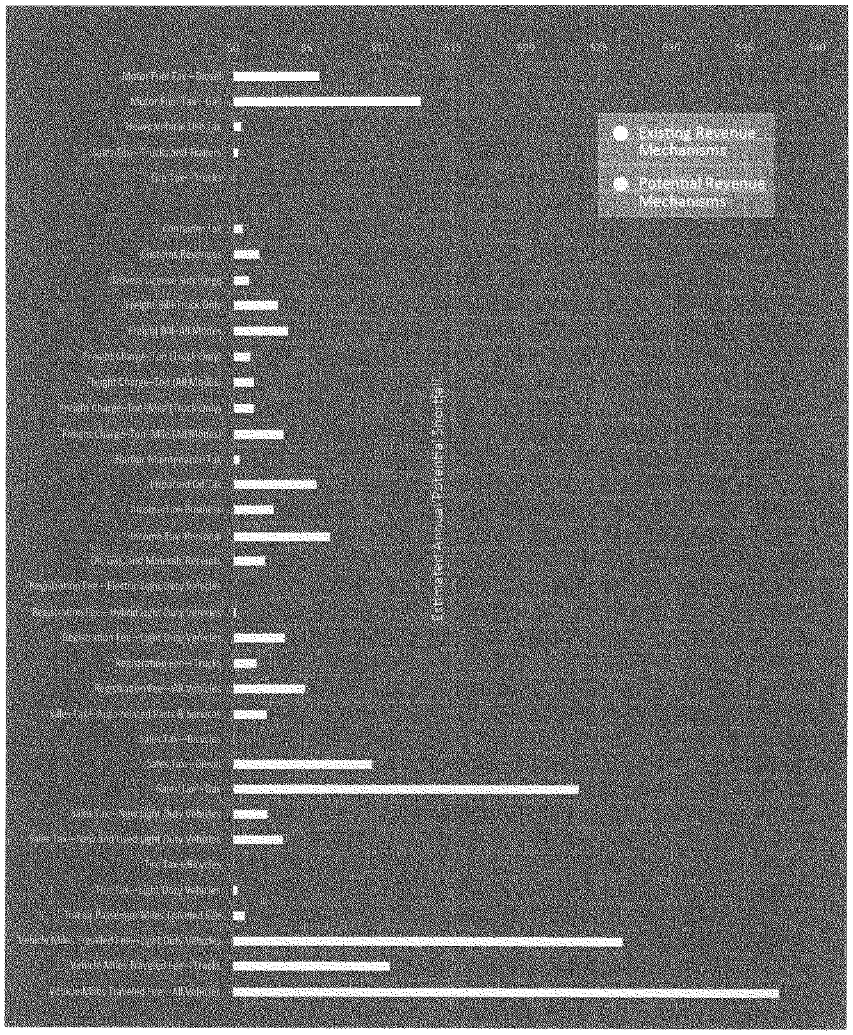


This Policy Optimality Considerations bubble chart is based on the evaluation criteria for various federal surface transportation revenue mechanisms reviewed by the National Surface Transportation Infrastructure Financing Commission. It is split into two components: economic considerations examining equity, efficiency, and impact on the X axis and implementation and administration efficiency on the Y axis. Mechanisms considered by the Commission to be more consistent with potential policy goals are closer to the left on the X axis and bottom on the Y axis.

Existing federal Highway Trust Fund revenue mechanisms are colored in white and proposed revenue mechanisms are in yellow. The size of the marker for each mechanism corresponds to the order of magnitude of the revenue generation potential based on the illustrative rate or percentage increase assumed in the summary matrix.

For additional information including the Commission's contextual explanation and detailed methodology used in this chart, please refer to Chapter 3 of the final Commission report available at http://financecommission.dot.gov.

Surface Transportation Revenue Options: Illustrative Annual Estimated Yields ***($ in billions)*** *



** Based on the illustrative rate or percentage increase assumed in the summary matrix.*

Brief Description of Existing and Potential Revenue Options

Container Tax—A national fee imposed on some or all containers moving through the United States. If the charge is only assessed on imports, it can be expected to raise approximately one-third less revenues. Revenues from such a fee would be strictly dedicated to fund freight investment activities.

- *Pros*—Raises a decent level of funding relative to freight needs; moderate implementation, administration, and compliance costs; strong sustainability
- *Cons*—Does little to promote efficient system use; potential international trade laws conflicts; could have regional equity issues

Customs Revenues—Customs duties are imposed at varying rates on various imported goods passing through U.S. international gateways and currently go to the General Fund of the U.S. Treasury. A number of interest groups, as well as the Policy Commission, have suggested that given the role transportation infrastructure plays in facilitating the import of goods, a portion of current customs duties should be allocated to support transportation investment.

- *Pros*—Small percentage of current revenues provides significant revenues; highly sustainable
- *Cons*—Diverts or expands a mechanism that is currently used and viewed as an important U.S. General Fund revenue source

Drivers License Surcharge—States charge a fee for issuing drivers' licenses. In some cases, the fee simply recovers the cost of administering the licensing programs. In many states, however, license fees also are used as a source of funding for transportation or other purposes.

- *Pros*—Significant revenue yield; well-established in each state with minimal additional administrative cost
- *Cons*—Strong public and political opposition; different licensing practices in each state; infringes on states' reliance on this fee; poor social equity

Freight Bill—A freight waybill tax would serve as a sales tax on the shipping costs for freight. Such a tax could be modeled on the aviation system tax, in which passenger and freight users who rely on the same infrastructure and carriers all contribute to fund the system. The air-freight waybill tax currently provides 5 percent of contributions to the federal Airport and Airway Trust Fund

- *Pros*—Large revenue yield potential; reasonably equitable
- *Cons*—Expensive to administer and enforce; more of an indirect user fee, as not directly related to system use

Freight Charge: Ton or Ton-Mile—Freight-related taxes could be imposed on a pure tonnage or ton-mile basis. A ton-based tax would charge shippers a flat fee for every ton of freight moved. Variations of these taxes have been imposed by a few states in the past, but there has not been an equivalent tax imposed at the federal level.

- *Pros*—Decent revenue yield potential; justifiable as a transportation user fee; potential positive impact on efficient system use
- *Cons*—Strong trucker/rail opposition; impact of tax heaviest on low-value bulk items; significant implementation, administration, and compliance issues; not a viable short-term option

Harbor Maintenance Tax—This is an existing revenue mechanism, similar to customs duties and fees, that supports the federal Harbor Maintenance Trust Fund through an ad valorem tax on the value of passenger tickets and declaring commercial cargo loaded onto or unloaded from vessels using federally maintained harbors. The current tax is largely used to pay for harbor dredging and thus, primarily benefits deep-draft ocean-going vessels carrying cargo on trans-oceanic routes.

- *Pros*—Largely sustainable; would not require major administrative effort or expansion of legal authority

- *Cons*—Portion levied on imports could increase international trade laws conflicts; tax is not levied on U.S. exporters that use much of the local highway system around ports

Heavy Vehicle Use Tax—An annual fee is currently imposed on all trucks 55,000 pounds Gross Vehicle Weight (GVW) or greater. The tax rate is $100 plus $22 for each 1,000 pounds of GVW in excess of 55,000 pounds, up to a maximum annual fee of $550 (thus, all trucks with GVW greater than 75,000 pounds pay the maximum).

- *Pros*—Strong correlation between tax and user benefit/impact; easy and cost-effective to administer
- *Cons*—Does not raise a lot of revenue

Imported Oil Tax—A tax on imported oil charged as either a fixed amount per barrel of oil or as a percentage on the value of imported oil.

- *Pros*—Small fee could raise significant revenue; can help to promote U.S. energy independence
- *Cons*—Broad nature of tax creates limited user pay/benefit relationship (e.g., home heating oil would be taxed for transportation); raises geographical equity issues; could raise broader free trade issues

Income Tax: Business and/or Personal—A national income tax for transportation could be created fairly easily and inexpensively by dedicating a portion of the existing tax or by adding an across-the-board increase to current personal and/or corporate income tax rates.

- *Pros*—Small percentage tax yields significant revenue; strong sustainability; inflation-neutral; easy to administer and enforce; relatively progressive
- *Cons*—Support for dedicating revenues to transportation needed though good transportation aids income growth; strong political opposition; weak link to economic efficiency and equity; negative impacts on the federal budget

Motor Fuel Tax—Federal motor fuel tax rates are currently 18.4 cents per gallon for gasoline, gasohol and special fuels (rates on special fuels vary, but average about 18.4 cents), and 24.4 cents per gallon for diesel. Federal motor fuels taxes were last increased for transportation purposes by 5 cents per gallon in 1982. Additional revenues were added to the Highway Trust Fund (HTF) by recapturing 2.5 cents per gallon in 1996 and another 4.3 cents per gallon in 1998 that were previously allocated to the General Fund for deficit reduction purposes.

- *Pros*—Large revenue yield with small rate change; a tried-and-true user fee; ease of administration
- *Cons*—Long-term sustainability issues; strong public opposition; somewhat regressive

Motor Fuel Tax Indexing—Establishes an annual adjustment to motor fuel tax rates to sustain purchasing power based on a gauge of inflation such as CPI-U (Consumer Price Index–Urban) or GDP (Gross Domestic Product) Price Index.

- *Pros*—Maintains purchasing power
- *Cons*—Likely unpopular during high inflation periods; perpetuates dependence on motor fuels as the primary HTF funding source

Oil, Gas, and Minerals Receipts—The federal government receives various income comprised of royalties, rent, bonus bids, and other payments from the extraction of oil, natural gas, and minerals from federal lands and offshore mining activities. Aside from a portion designated for the states, the remaining amount of these revenues currently goes to the federal General Fund which could be redirected for transportation purposes.

- *Pros—Sustainable; can help to promote U.S. energy independence*
- *Cons*—Diverts funds from U.S. General Fund; link to transportation is not as strong as user fees; revenues could be volatile

Registration Fee—Light Duty Vehicles and/or Trucks—All states impose annual vehicle registration and related fees, and at least half the states raise more than a quarter of their dedicated transportation revenues through this mechanism.

The structure of registration fees varies widely, from a flat per vehicle fee to a schedule of rates based on factors such as vehicle type, fuel source, weight, age, horsepower, and value.

- *Pros*—Small federal fee; sustainable; well-established; little additional administrative cost; could charge for indirect impacts such as carbon emissions
- *Cons*—No relation to system use; could be viewed as double taxation at the federal level due to the existing Heavy Vehicle Use Tax; infringes on states' reliance on this fee

Sales Tax—Auto-related Parts & Services—Similar to the vehicle sales tax, a national sales tax could be established on all products and services related to vehicle use, including part and accessories, lubricants, and repairs.

- *Pros*—Small tax rate could yield relatively large revenues; strong sustainability; justifiable as a flexible, dedicated source for transportation
- *Cons*—Significant administrative and compliance issues; social equity issues; little relationship with system use; limited public acceptance; potential to disincentive repairs and create safety issues

Sales Tax—Bicycles—There is currently no national mechanism to raise funds specifically dedicated to improvements to bike and pedestrian facilities. One approach would be to apply a portion of the sales tax on bicycles to fund these improvements.

- *Pros*—Strong sustainability; moderately strong relationship between tax user benefit/impact
- *Cons*—Would not raise a lot of revenue; may require new administration and enforcement framework; limited flexibility on use of funds; could lack geographic equity if spending is concentrated

Sales Tax—Diesel and/or Gas—A national sales tax on motor fuels could be imposed as a percentage of motor fuel costs. A handful of states currently impose a motor fuels sales tax, most in the 4 to 6 percent range, as a supplement to a traditional cent per gallon tax (note: not all states that impose a motor fuels sales tax dedicate all of the resulting revenues to transportation). The revenue generation capabilities of a national motor fuels sales tax would be driven by several variables, including the price of fuel, the tax collection point (e.g., at the pump vs. points along the distribution network), the basis for the tax (e.g., inclusion vs. exclusion of state and local taxes), and the imposition of tax ceilings or floors.

- *Pros*—Small percentage tax raises significant revenues; sustainable in the short term; provides flexible, dedicated transportation funding
- *Cons*—Fuel price volatility could lead to unpredictable revenue levels; unsustainable in the long-term; political/public resistance can build during price spikes

Sales Tax—New and/or Used Light Duty Vehicles—Most likely levied as a percentage of the total sales price for either all new or new/used vehicle purchases (similar to the existing sales tax on trucks and trailers).

- *Pros*—Small fee could raise significant revenue; highly sustainable, captures revenues from alternative fuel vehicle users; could likely be implemented through either existing state tax mechanisms or imposed through vehicle manufacturers
- *Cons*—Could cannibalize a traditionally important state/local transportation and general fund revenue source; limited user-benefit correlation

Sales Tax—Trucks and Trailers—A federal sales tax of 12 percent is imposed on the retail sales price for the first sale of all tractors and trucks over 33,000 pounds in gross vehicle weight (GVW) and trailers over 26,000 pounds in GVW, including parts and accessories associated with the sale.

- *Pros*—Strong sustainability that tracks with inflation; strong history that is easy to administer; reasonably acceptable from a public/political perspective; tax at national level creates even playing field; recover heavy vehicles' cost to the system
- *Cons*—Revenue potential is limited; unstable and highly cyclical; no relationship with system use; disincentive to purchase newer vehicles

Tire Tax—Bicycles—There is currently no national mechanism to raise funds specifically dedicated to improvements to bike and pedestrian facilities. One approach would be to institute a national sales tax on bicycle tires, whether they are on new bicycles or purchased as replacement items.

- *Pros*—Strong sustainability; moderately strong relationship between tax user benefit/impact
- *Cons*—Would not raise a lot of revenue; may require new administration and enforcement framework; limited flexibility on use of funds; could lack geographic equity if spending is concentrated

Tire Tax—Light Duty Vehicles—A national tax on light-duty vehicle (LDV) tires for both tires on new vehicles and replacement tires. Would likely be implemented in conjunction with the current federal truck tire tax.

- *Pros*—Provides a counter LDV balance to the current truck tire tax; highly sustainable; strong user-benefit correlation
- *Cons*—Does not raise significant revenues; may discourage timely replacement of worn tires

Tire Tax—Trucks—A federal tax is imposed on the purchase of all tires with a maximum rated load over 3,500 pounds. The tax is justified in part because it helps to recover some of the additional system damage costs caused by heavier vehicles. The current tax rate is 9.45¢ for every 10 pounds of maximum capacity that exceeds 3,500 pounds.

- *Pros*—Strong correlation between tax and user benefit/impact; easy and cost-effective to administer
- *Cons*—Does not raise a lot of revenue

Transit Passenger Miles Traveled Fee—A national fee on each mile of travel on transit systems across all modes. Would be levied in addition to current local transit fares.

- *Pros*—Strong correlation between fee and user benefit/impact; sustainable
- *Cons*—Strong public and political opposition; belief that transit costs should be set locally; federal fee would interfere with local agencies balancing goals of maximizing revenues while accounting for affordability for low-income user

Vehicle Miles Traveled Fee—Drivers can be charged for the total number of miles traveled, regardless of the road used or the time of day. The fee can be charged in a number of ways. With the recent passage of a bill by the Oregon Legislature, Oregon will be implementing the nation's first VMT fee. Oregon DOT will build a system that will allow up to 5,000 voluntary participants to choose from a number of methods of collecting data on miles driven and paying fees, including means that do not require GPS systems to address privacy concerns. Germany has a system of charging trucks tolls for miles traveled, exhaust emissions, and number of axles. The charges are calculated using on-board GPS equipment and wireless communication devices. A related method is pay-as-you-drive insurance.

- *Pros*—Large revenue yield potential; highly sustainable; appropriate user fee; leads to more efficient use of system
- *Cons*—Public and political opposition is high, especially on privacy grounds; considerable costs and challenges (institutional, administrative, and cultural); not enough real-world experience with implementation; not a viable short-term option

FREEDOM PARTNERS

AMERICANS FOR PROSPERITY.

March 7, 2018

Dear Committee Members:

On behalf of our organizations and the millions of Americans they represent in all 50 states, we thank you for holding this important hearing today to discuss long-term funding options for federal infrastructure projects. We stand with American taxpayers in urging this committee to focus on comprehensive reforms to modernize our infrastructure, including: spending smarter on projects of true national priority, reforming outdated and costly regulations, and protecting Americans from any new burdens in any forthcoming infrastructure package this year.

Infrastructure spending at the federal level has expanded in recent decades well beyond its proper scope. This expansion has sent federal dollars away from our nation's core roads and bridges and left federal infrastructure accounts, like the Highway Trust Fund, seemingly underfunded. But, as with most government programs, what may appear to be a funding problem is actually a spending problem.

Americans may be surprised to know that as much as 28 percent of funds from the Highway Trust Fund, which is funded by the federal gas tax, is diverted to non-road projects like ferry boats, local transit, bike and pedestrian paths and historic preservation. Still more taxpayer dollars are wasted on inflated costs due to outdated regulatory burdens, a complex and sluggish permitting system, and overly restrictive labor requirements.

Rather than ending these diversions and ongoing wasteful spending, many in Washington are calling for a substantial increase in the federal gas tax to pay for even more federal funding for infrastructure, with little interest in ending the harmful practices that have led us to this point. A 25-cent per gallon increase in the gas tax would be a huge burden on Americans—harming the least fortunate the most. Pennsylvanians, for example, would pay ***more than $1 in taxes for every gallon*** of gas they buy under this proposal. Congress just gave every American a much-needed and well-deserved tax cut. Clawing it back at the gas pump is both politically and economically indefensible.

Instead of asking American taxpayers for any more out of their paycheck, lawmakers should prioritize key reforms that will improve our nation's infrastructure: preserve federal infrastructure dollars for targeted construction projects of a national priority, unleash private investment in infrastructure assets, return power and responsibility to the states wherever possible, overhaul the regulatory and permitting system to improve outcomes and efficiency, and eliminate costly and unfair labor restrictions.

We look forward to working with this committee and your colleagues in Congress and the administration to ensure that any federal infrastructure package put forth this year includes these significant reforms that will help create and maintain a modern and innovative infrastructure system that is important for growing the economy and improving the lives of all Americans.

Sincerely,
Nathan Nascimento
Vice President, Freedom Partners

Brent Gardner
Chief Government Affairs Officer, Americans for Prosperity